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80TH CONGRESS
2d Session

SENATE

REPORT 986
PART 4

LABOR-MANAGEMENT RELATIONS

WELFARE FUNDS

REPORT

OF THE

JOINT COMMITTEE ON LABOR-MANAGEMENT RELATIONS

CONGRESS OF THE UNITED STATES

PURSUANT TO

SECTION 401 OF PUBLIC LAW 101 (80TH CONG.) ESTABLISHING A JOINT CONGRESSIONAL COMMITTEE TO BE KNOWN AS THE JOINT COMMITTEE ON LABOR-MANAGEMENT RELATIONS

DECEMBER 31, 1948.—Ordered to be printed

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[Created pursuant to sec. 401 of Public Law 101, 80th Cong.]

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LETTER OF TRANSMITTAL

CONGRESS OF THE UNITED STATES,
JOINT COMMITTEE ON LABOR-MANAGEMENT RELATIONS,
December 31, 1948.

The PRESIDENT PRO TEMPORE OF THE SENATE,
United States Senate, Washington, D. C.

SIR: In accordance with Public Law 101, Eightieth Congress, as chairman of the Joint Committee on Labor-Management Relations, it gives me pleasure to present to you the report of this committee, which I ask that you lay before the Senate of the United States for consideration, with a view to its being printed.

Respectfully submitted.

JOSEPH H. BALL,
United States Senator, Chairman.

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This report is based on information compiled in research and field surveys conducted for the committee by Frank E. Harrison and Mrs. Margaret S. Groat of the staff.

80TH CONGRESS } SENATE { REPORT 986
2d Session } { Part 4

LABOR-MANAGEMENT RELATIONS

DECEMBER 31, 1948.—Ordered to be printed

Mr. BALL, from the Joint Committee on Labor-Management Relations, submitted the following

REPORT

[Pursuant to sec. 401 of Public Law 101, 80th Cong.]

The Joint Committee on Labor-Management Relations was established under the terms of section 401 of Public Law 101, enacted June 23, 1947. Relevant sections are as follows:

SEC. 401. There is hereby established a joint congressional committee to be known as the Joint Committee on Labor-Management Relations (hereafter referred to as the committee), and to be composed of seven members of the Senate Committee on Labor and Public Welfare, to be appointed by the President pro tempore of the Senate, and seven members of the House of Representatives Committee on Education and Labor, to be appointed by the Speaker of the House of Representatives. A vacancy in membership of the committee shall not affect the powers of the remaining members to execute the functions of the committee, and shall be filled in the same manner as the original selection. The committee shall select a chairman and a vice chairman from among its members.

SEC. 402. The committee, acting as a whole or by subcommittee, shall conduct a thorough study and investigation of the entire field of labor-management relations, including but not limited to—

(5) the desirability of welfare funds for the benefit of employees and their relation to the social-security system.

INTRODUCTION

In recent years increased attention has been given to the problems of health, old age, and other phases of welfare. The approaches have, however, been varied and only a slight degree of integration has prevailed. Federal legislation embraces a number of the problems. Under the direction of the Social Security Administration monthly old-age and survivors insurance benefits, unemployment insurance, public assistance, and various maternal and child health and welfare services have been provided. Railroad workers receive death and unemployment benefits under a Federal program. Likewise, Federal law provides for the retirement and disability of military personnel, and a civil-service retirement system has been established for Government employees. Numerous programs have been created to afford benefits to the employees of State and local governments. All States

have enacted workmen's compensation laws providing benefits for work-connected disabilities. Individuals have, of course, supplemented these various forms of protection by purchasing their own insurance. In addition a large number of employer-sponsored plans have afforded retirement, life insurance, and health benefits to employees. A recent significant development in the field has been the establishment of health, welfare, and retirement plans through the process of collective bargaining.

Although a number of employers voluntarily bargain with labor organizations representing their employees on health, welfare, and retirement plans and agree to the incorporation of various phases of the subject in labor-management contracts, there remains for final adjudication the question of whether the subject is within the area of mandatory collective bargaining. In April of 1948, the NLRB ruled on this issue. In a 4-to-1 decision the Board adopted the recommendations of its trial examiner in the matter of *Inland Steel Company and Local Union, Nos. 1010 and 64, United Steelworkers of America (CIO)*, (77 N. L. R. B. No. 12), ruling that pension and retirement plans are within the area of compulsory bargaining. In this case, the Board found that the company had refused to discuss with the union the amendment and application of the terms of an old-age retirement and pension plan originally established by the company. This refusal to bargain, the Board found, amounted to an unfair labor practice under section 8 (5) of the National Labor Relations Act, in that the company's unilateral action on amendments to the plan changed the employees' "wages" and "conditions of employment," as the terms were used in section 9 (a) of the National Labor Relations Act. The Board construed the term "wages" to include "emoluments of value, like pension and insurance benefits, which may accrue to employees out of their employment relationship." The company's contribution to the plan, the Board said, "constitutes an economic enhancement of the employee's wages." With reference to the effect of the company's unilateral action upon "conditions of employment," the Board held that "matters affecting tenure of employment like the respondent's retirement rule, lie within the statutory scope of collective bargaining."

The Board found in the legislative history of the amended act what to it was compelling evidence that Congress intended to encompass pension and retirement plans within the meaning of "wages or other conditions of employment" as those terms were used in the original act. It also found that in reenacting these provisions, there was evidence of congressional willingness "to allow that conclusion to stand."

The case of *W. W. Cross and Company and United Steelworkers of America, CIO* (77 N. L. R. B. No. 1162), carries the doctrine of the Inland Steel case into additional areas. It involves the union's right to have included in contract negotiations the terms of a company-sponsored group health and accident insurance plan under which benefits are afforded the company's employees. For the reasons given in Matter of Inland Steel Co., the Board found that the company had a statutory duty to bargain collectively concerning the terms of its group health and accident insurance program.

Inasmuch as the union had not complied with the filing requirements of section 9 (f), (g), and (h) of the amended act, the Board conditioned its orders in the two cases upon the union's compliance with those sections within 30 days from the date of the orders.

Both decisions have been appealed. Argument was heard on the Board's Inland Steel decision in the United States Circuit Court of Appeals for the Seventh Circuit and a decision was rendered on September 23, 1948. The W. W. Cross decision has been appealed to the United States Circuit Court of Appeals for the First Circuit. The circuit court in the Inland Steel case unanimously held "that the order of the Board, insofar as it requires the company to bargain with respect to retirement and pension matters, is valid," and sustained by a 2-to-1 vote the filing requirement provisions of section 9 (h) of the act. Section 9 (f) and (g) were not at issue since the union complied with the Board's order insofar as it pertained to these sections. Both litigants have appealed to the United States Supreme Court.

Growth of Union-Management Plans

While the Board's decisions in the Inland Steel and W. W. Cross cases will very likely supply additional impetus to union demands for union-management plans, considerable growth had already been attained prior to the decisions. Especially was the pace quickened during World War II by the Stabilization Act of 1942, as amended, placing restrictions upon wage and salary increases, and by regulations promulgated thereunder. Section 10 of the act defined "wages" and "salaries" so as to exclude insurance and pension benefits in a reasonable amount. Under section 4001.1 (h) (2) of the regulations of the Director of Economic Stabilization, as amended November 30, 1944, and published in volume 9, No. 248 of the Federal Register, it was provided in part that the type of insurance on the life of the employee referred to was the ordinary or whole life policy which does not provide for a cash surrender or loan value, or both, amounting to a large percentage of the premiums paid. However, it was required that the payment of insurance premiums be for the benefit of more than a small number of selected employees. It was further provided that premiums paid by an employer on policies of group life insurance without cash surrender value covering the lives of his employees, or on policies of group health, hospitalization, or accident insurance covering his employees did not constitute wages or salary.

The wartime demand for the establishment of health, welfare, and retirement plans through collective bargaining agreements has continued since the enactment of the Labor-Management Relations Act of 1947. The number of employees now covered by such plans exceeds 3,000,000, or more than twice the number covered in 1947. In 1945, it was estimated that 600,000 workers were included; approximately 1,250,000 were said to be covered by early 1947.[1] The figure as of August 1948 was estimated as in excess of 3,000,000.[2] It is not known exactly how many workers are covered in each national or international union because of the fact that in many unions health, welfare, and retirement plans have been developed entirely by the locals, and therefore figures on the extent of development are not always available to officials of the international. The Bureau of

[1] Bureau of Labor Statistics Bulletin No. 900.
[2] Monthly Labor Review, September 1948, vol. 67, No. 3.

Labor Statistics reports, however, that plans are known to exist under collective bargaining agreements within the jurisdiction of nearly 100 different internationals, and that a large number of workers in the following industries are covered: [3] building trades, clothing, cleaning and dyeing, coal mining, furniture, fur and leather, hotel and restaurant, jewelry and playthings, local transportation, office and professional workers, machinery, millinery, paper, rubber, retail and wholesale trade, shipbuilding, steel, telephone and telegraph, textiles and hosiery, and utilities. Coverage in some of the larger industries was estimated to be:

	Workers
Coal mining	450,000
Clothing and textiles	875,000
Street and electric railway	150,000
Steel	138,000
Electrical (United Electrical Workers, alone)	138,000

Of the 3,000,000 workers who are covered, the Bureau estimates that 11 percent receive only pension benefits, 45 percent receive health benefits, and both types of benefits are available to the remaining 44 percent.

The figures of the Bureau of Labor Statistics given above reflect those health, welfare, and/or benefit plans (*a*) negotiated as a part of labor-management agreements, (*b*) those originally established by employers, and later written into an agreement, and (*c*) those agreements which simply establish employer responsibility to provide various types of insurance.

Characteristics

Those health, welfare, and retirement plans assured through collective bargaining contracts follow no particular pattern. They vary as to methods of financing and insuring. Likewise, there are differences in administration, benefits, eligibility criteria, and other details. When classified according to the means used in financing, funds may be grouped according to whether moneys are derived from (1) the employer, or (2) joint contribution. Administration may be vested in (1) the employer, (2) the union, or (3) a union-management group. In addition, plans may be insured by (1) an established private carrier, (2) an insurance company chartered for the express purpose of insuring a particular plan, or (3) benefits may be paid directly from the fund. Where insurance is with an established private company, the company in many instances has a role in the administration of the plan. A great number of these characteristics are found in existing plans. The chart which follows shows the principal characteristics of some of the better known plans.

[3] Id.

Union	Contributions	Type of carrier	Administration	Eligibility for benefits	Type of benefits
United Hatters, Cap and Millinery Workers International Union, AFL. (62 local funds; 3 in Canada). Date: First local welfare fund May 1944.	Employer only; 17 funds: 3 percent of gross pay roll; 14 funds, 2 percent of gross pay roll; 1 fund, fixed amount.	21 funds, self-insured; 11 funds, commercial insurance companies.	As a rule joint administration by boards of directors or trustees; some union administered funds.	Employee of contributing employer, good standing in the union, waiting period of 26 weeks before eligible. Eligibility determined by benefit committee composed of employees—appeal to executive board of union.	Accident, sickness, hospital, surgical.
United Furniture Workers of America, CIO—centralized fund (Sept. 30, 1944).	Employer only; 3 percent of pay roll.	Commercial insurance company; Blue Cross.	Union administration; regular reports to contributing employers.	Membership in local union; in full-time employ of contributing employer.	Life insurance, accidental death and dismemberment insurance, surgical benefits, accident and sickness benefits, medical expense benefits, family hospitalization.
Upholsterers International Union, AFL. Date: May 1944.	Employer only; 3 percent of aggregate wages paid to union members.	Commercial insurance company.	Policies issued to board of trustees of Union; social-security department of union governed by international union board of trustees.	Insurance Department of union investigates and processes claims; eligibility for maximum benefits conditioned upon good standing and employment by employer who complies with all contractual obligations toward social-security fund.	Life insurance, accidental death and dismemberment. health and accident. medical expenses, surgical expenses, hospitalization for dependents.
United Textile Workers of America, AFL; contracts with individual companies.	Employer payments of insurance premiums.	Commercial insurance company and Blue Cross.	Policies issued to company.	30 days of continuous employment with company, actively at work (American Woolen Co.).	Life insurance, accident and sickness benefits, accidental death and dismemberment, medical and surgical expense, hospitalization.
Federation of Dyers, Finishers, Printers, and Bleachers of America, CIO; contracts with individual companies (1943).	do	Commercial insurance company.	do	"All present employees participate in benefits of insurance program," 30-day waiting period for new employees.	Life insurance, sickness and accident, hospitalization, surgical aid.
Progressive Mine Workers of America; central fund.	Employer; 10 cents per ton of coal mined.	Fund self-insured for death and disability benefits and pensions; group hospitalization by commercial carrier.	Joint representation on joint State executive board and co-trustees. Provision for impartial umpire.	Good standing in union; employees of contributing employers.	Group hospitalization, death and disability benefits. pensions ($20 per month).
International Brotherhood of Electrical Workers, AFL; central fund (Sept. 3, 1946).	Employer pay-roll tax of 1 percent paid to employees' benefit board; employees' benefit board pays to board of trustees a sum not in excess of amount paid into brotherhood pension fund by its own members.	Self-insured	Tripartite; employee benefit board collects and reports funds; transfers moneys to board of trustees of pension fund.	65 years of age; union membership in continuous good standing for 20 years, class A member.	Pensions.

Union	Contributions	Type of carrier	Administration	Eligibility for benefits	Type of benefits
United Mine Workers; centralized fund.	Employer; 20 cents per ton of coal mined.	Self-insured.	Tripartite board of trustees (employer, union, and neutral chosen by agreement of 2).	Pension: 20 years employment in industry; 62 years of age; membership in union.	Retirement pension ($100 per month); assistance grants to disabled members and widows of deceased members; hospitalization and rehabilitation of members paralyzed in mine accidents.
United Automobile Workers, CIO:					
(1) Kaiser-Frazer	(1) Employer; 5 cents per hour for each hour worked by employees covered by union agreement.	do	(1) Joint Board with equal representation to both parties.	do	(1) Hospitalization, sickness and accident, medical service, life insurance.
(2) Ford	(2) Joint; employee contribution specified, company pays balance.	(2) Commercial carrier and Blue Cross.	(2) Company selection of carrier and deduction of pay roll upon individual authorization; union advisory committee.	do	(2) Life insurance, accidental death and dismemberment, weekly accident and sickness.
Amalgamated Clothing Workers, CIO; centralized fund (national union exercises supervision over 7 different funds).	2 percent (3 funds), 3 percent (1 fund), 5 percent (1 fund, includes retirement).	Insured by Amalgamated Life Insurance Co.	Union board of trustees employer advisory committee (with limited veto power).	Good standing in union; employees of contributing employer; eligibility determined by insurance company.	Death, weekly disability, hospital and surgical, maternity, retirement (clothing fund).
International Ladies Garment Workers Union, AFL; 49 local funds.	Employer; 3 to 4 percent of pay roll (percentage differs among locals).	Self-insured.	Local or joint board basic standards and rules established by international union.	Membership in union local; 6 months in covered industry; local union determines validity of claim; appeal to joint board and international.	Sick benefits, hospitalization, surgery benefits, maternity benefits, tuberculosis, eye conservation, vacation benefits, union health centers (type and amount of benefits vary from one union to another); retirement benefits in 2 joint boards.

A more complete discussion of these plans appears in this report, beginning on page 19.

Also included is a discussion of the musicians' fund and the negotiations entered into by the United Steel Workers, CIO, and the United States Steel Corp., on the subject of welfare funds.

Extent of Existence of Employer-Sponsored Plans

The Bureau of Internal Revenue reported that 3,290,608 workers, or slightly over 29 percent of the total number of employees of the employers involved, were covered under the 6,862 pension plans which had received favorable rulings under section 165 (a) of the Internal Revenue Code as of August 31, 1946. The Bureau's statistics do not include those plans whose primary purpose is the provision of accident and health or disability benefits, individual or group life insurance. Employer contributions to these 6,862 plans totaled $653,220,000. Of the total number of approved plans, 2,528 were of the type to which employees also contributed; employee contributions amounting to nearly $342,415,000 were paid by 1,534,989 workers participating in this type of plan (also included in these figures are a few profit-sharing plans and contributions thereto).

Various methods were used for insuring these employer-sponsored pensions plans. Four thousand one hundred and forty-four plans covering 203,395 employees were insured by individual contract. One thousand four hundred and seventy-six plans covering 889,184 workers were insured under group contracts. It appears that many of the larger companies adopted self-insured plans inasmuch as 1,908,111 employees were covered by 658 self-insured plans. The remaining 584 plans, covering 289,918 employees, were insured by other methods.

Benefits under employer-sponsored plans are not restricted to retirement benefits. Others in the nature of life insurance, sickness, and accident, and hospitalization are also offered by a large number of these plans; however, figures on the extent to which they prevail are not available. Benefits vary as do the methods used to finance them. Very often they are financed under arrangements whereby the employees pay an amount fixed in accordance with their basic hourly rate of pay, while the employers contribute the remainder of the net cost over and above the amount paid by employees. In addition, the employer often pays the entire cost of administering the plan. Then in some instances the employer pays only such costs of administration as checking off from the employee's pay the premium owed by him, keeping of records, and the distribution of benefit checks.

Employers' stand on compulsory bargaining

At the hearings before the committee in May and June of 1948, a number of employers presented their views on bringing these plans within the realm of compulsory collective bargaining as would be required by the Inland Steel and W. W. Cross decisions of the NLRB. It was their position that the problems arising from mandatory bargaining on the subject will result in an undue burden being imposed on the bargaining procedure and that increased industrial strife will follow. Further, the creation of new plans and the liberalization of old ones will be discouraged, and some plans now in operation may be abandoned if the employer is now required to bargain upon the subject.

The problems stated to be inherent in the situation were essentially the following:

(1) Welfare programs are highly complex and their establishment requires thorough study and planning. There are detailed tax and actuarial requirements to be met while integration with provisions of State and Federal social-security laws must be considered. When negotiating such matters as wages and hours there are patterns which the parties may follow, but that is not true of a pension plant. The problem of each company in setting up a pension plan is unique. The cost for each company depends upon a number of variable factors such as the age of its workers, mortality experience, level of employee earnings, cost of administration, and changing interest rates. To negotiate on such complicated matters is impractical for there must be agreement on the part of the union and the company. In addition, if the plan is insured by commercial carrier, its details must be embodied in the contract with the carrier and in order to attain full advantage of the deductions permissible under the Internal Revenue Code, the plan must be approved by the Bureau of Internal Revenue.

(2) Many employers must deal with a number of unions. This presents even greater difficulty because employee representatives must themselves agree upon uniform demands, otherwise a number of small, unrelated plans will arise. Interunion competition makes unlikely the attainment of a uniform program. Maximum efficiency is impossible if a number of small, separate plans are resorted to. The cost of the program will rise because administrative costs increase as the number of group contracts increase and premiums increase as the size of the group covered decreases. The effectiveness of the program is thereby threatened.

(3) Long-range plans such as those included in a welfare program involve commitments which require a careful analysis of the company's business outlook. The companies feel that they alone can make this analysis.

(4) Some employers feel that if these programs are included in contracts, certain of the flexibility which is desirable will be lost. These employers feel that they must retain the right to make modifications as the existing conditions require. Without this flexibility there can be no certainty of the continuation of the program.

(5) Existing employer-sponsored pension plans are related to earnings and length of service of the employees. If a flat pension amount is demanded and obtained, existing plans as well as the solvency of companies will be endangered.

(6) An integral part of the pension plans is the compulsory retirement of the employees at a normal retirement age. If this is bargained away, one of the main purposes for such a plan is defeated.

(7) Unions often demand that eligibility to benefits be restricted to union members. The company's responsibility extends to all its employees.

(8) Plans which involve long-range policy should not be subject to change with each succeeding contract year.

(9) Innumerable problems will arise in the course of administration, for once a part of the contract, the program will be subject to usual grievance and arbitration procedure. The company would thus be placed in the anomalous position where it would be bound by the decisions of the arbitrator while the insurance carrier would not.

Unions' stand on compulsory bargaining

During the committee's hearings, representatives of several unions presented their views with respect to mandatory bargaining on health, welfare, and retirement plans. The need of their membership especially for medical care was stressed and the inadequacy of employer-sponsored pension plans was given as a further reason for bringing such plans within the ambit of compulsory bargaining. Through the creation of funds, the coverage of which is coextensive with the union's membership, union leaders hope to attain a greater continuity of coverage than now exists under company plans. They point out that coverage under company plans is limited to those workers employed by the particular company and that when a worker leaves the company he loses what he had contributed to the insurance fund unless he converts the policy at a higher rate. The proposal was for a blanket policy made out to the union covering its membership. A worker would therefore retain his coverage as long as he maintained his union membership. It was the contention of the general counsel for the CIO that necessity for actuarial soundness and compliance with the requirements prescribed by the Treasury Department did not prevent the handling of plans within the framework of collective bargaining. He cited the experience of the United States Steel Corp. and the United Steelworkers of America in establishing a joint committee which rendered a unanimous factual report and submitted cost estimates on each type of benefit under consideration.

Applicable Laws

Some provisions pertinent to the maintenance of sound funds and the protection of individual rights therein are found in Federal statutes, State insurance laws, and trust laws. Of course, section 302 of the Labor Management Relations Act, 1947, requires, among other things, that contributions of an employer be placed in a trust fund, that there be a written agreement detailing the basis on which payments are to be made, that benefits be restricted to those specified in the section, and that there be joint administration of those funds established on or after January 1, 1946.

Plans qualifying under 165 (a)

Under the Internal Revenue Code, as amended by the Revenue Act of 1942, certain tax advantages are given to pension plans which meet prescribed requirements including broad coverage and nondiscrimination of contributions and benefits and which otherwise meet the requirements of sections 23 (p) and 165 of the code. Those trusts which fulfill the requirements are granted a tax-exempt status; employer contributions may be deducted in computing net income, and taxation of the benefits provided by the plan is deferred until such time as benefits are paid or made available. Regulations of the Bureau of Internal Revenue (regulations 111 and supplement thereto) pertaining to pension trusts provide that in order to be exempt under section 165 (a) such a trust must be part of a pension plan of an employer for the exclusive benefit of his employees or their beneficiaries. Among the other requirements as implemented in the regulations are the following. The plan must be a definite written program communicated to the employees, solely designed and applied to provide for the liveli-

hood of such employees or their beneficiaries after the retirement of such employees. To be considered a pension plan for purposes of section 165 (a), it is necessary that either benefits payable or employer contributions can be determined actuarially. The plan must be permanent, such permanency to be determined by all the surrounding facts and circumstances. There must be no discrimination in eligibility requirements, contributions, or benefits in favor of employees who are officers, shareholders, persons whose principal duties are supervisory, or the highly compensated employees. Contributions paid into the trust may be invested in the manner permitted by the trust agreement, to the extent allowed by local law. However, full disclosure must be made where the trust funds are invested in stock or securities of the employer.

If an exempt status is claimed, proof must be made by filing with the Commissioner of Internal Revenue the following:

1. An affidavit showing the trust's character, purpose, activities, sources and disposition of corpus and income, and every fact which might effect its status for exemption.
2. Verified copies of the trust instrument and plan.
3. Latest financial statement.
4. Information showing that the trust forms part of a pension plan for the exclusive benefit of employees or their dependents.

Status of contributions for employment tax purposes

The Federal Insurance Contributions Act and the Federal Unemployment Tax Act sections 1426 (a) (2) and 1607 (b) .(2) of the Internal Revenue Code, also contain pertinent provisions. These taxing acts for the old-age and survivors insurance and unemployment insurance phases of social security exempt from employment taxes contributions made by employers to plans which provide certain types of benefits and otherwise meet designated statutory requirements. Under them there is exempted from "wages" the amount of any payment made to, or on behalf of, an employee under a plan or system established by an employer which makes provision for his employees generally or for a class or classes of his employees, on account of retirement, or sickness or accident disability, or medical and hospitalization expenses in connection with sickness or accident disability, or death. However, insofar as the exempt status of contributions to plans providing death benefits is concerned, such an exempt status is conditioned upon the employee not having the option to receive, instead of provision for the death benefit, any part payment to be made on his behalf or, if such death benefit is insured, any part of the premiums; it is further dependent upon his not having the right to assign such death benefit, or to receive cash in lieu therefor either upon his withdrawal from the plan or system or upon termination of the plan or system or of his employment.

Encompassed in the statutory requirements is the necessity for a definite plan providing definite amounts and duration of payments and waiting periods. In addition, the plan must be communicated to those affected employees.

Status of contributions for overtime purposes

There arises the question whether employer contributions are includible in determining the regular rate for overtime purposes under the Fair Labor Standards Act. The Wage and Hour Administrator has taken the position that such contributions to pension, annuity, and similar plans for the benefit of the employer's employee are not to be so included, provided the employee does not have the option to receive, instead of the benefits under the plan, any part of the contributions of the employer and provided he does not have the right to assign the benefits, or to receive a cash consideration in lieu of the benefits, either upon termination of the plan or his withdrawal from it voluntarily or through severance of employment with the particular employer.

Securities acts

Pension plans may be subject to the Securities Act of 1933 and therefore required to comply with the registration and prospectus requirements of the act. Likewise some pension plans may come within the meaning of an "employees' securities company" as used in the Investment Company Act of 1940; in such cases registration and compliance with minimum standards of that act may be necessary.

State insurance laws

Provisions applicable to benefits available under health, welfare, and retirement plans are found in State insurance laws, at least where such benefits are insured by carriers regulated by such laws. At this point it should be noted, however, that the statutory safeguards of State insurance laws are inapplicable to self-insured plans such as that of the ILGWU. Further, while plans which are insured by carriers are protected with respect to benefits contracted for with the carriers, there remains the question of safeguarding the moneys held in the fund from which premiums are paid. Here the trust law of the various States generally afford adequate protection. State insurance statutes vary, of course, but an idea of the safeguards afforded policyholders may be obtained from an examination of the New York statute.

The New York law requires that several standard provisions be written into each contract for a group annuity, group life insurance, group accident and health insurance, and retirement systems and pensions.

No group annuity contract may be issued in New York State unless it contains the following provisions: (*a*) A period of grace of 30 days or of 1 month for the payment of premium (*b*) statement of the entire contract between the parties (*c*) equitable adjustment of benefits if facts have been misstated; (*d*) determination of benefits in the event of termination of employment or discontinuance of payments; (*e*) issuance of individual certificates setting forth a statement of benefits to which each annuitant is entitled.

Group life insurance policies issued in New York State must contain provisions for: (*a*) Incontestability of the policy after 2 years from its date of issue, except for nonpayment of premiums or violation of the conditions of the policy; (*b*) full and complete statement of the provisions of the policy, endorsements and amendments thereto; (*c*) equitable adjustment of premium or benefits in the event of a misstatement of age (*d*) issuance of an individual certificate, with benefits payable to a stated beneficiary or to the estate of the insured; (*e*) right of the insured to an individual policy without evidence of insurability within 30 days of termination of employment or membership in the

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group insured; (*f*) right of the insured to an individual policy within 30 days without evidence of insurability in the event of termination of a group policy issued to the employer; (*g*) eligibility of all new employees subsequently added to such groups or classes as are eligible to be insured; (*h*) notice that premium for a renewable term will depend upon the attained ages of the members in the group, increasing with advanced ages; (*i*) nonforfeiture provision or provisions, if the policy is on a plan of insurance other than the term plan.

The New York statute specified that group or blanket accident and health insurance policies must provide that (*a*) no statement made by the applicant shall modify the insurance unless contained in the written application; and no change in the policy shall be valid unless evidenced by endorsement on the policy; (*b*) all statements in an application for insurance shall be deemed representations and not warranties; (*c*) all new employees or new members in the groups or classes eligible for such insurance must be added to such groups; (*d*) all premiums shall be remitted by the employer or other designated person acting on behalf of the group insured, with such period of grace as specified; (*e*) the insurer shall issue individual certificates to each member of the group; (*f*) specification of ages to which insurance is limited, and any restrictions placed on benefits; (*g*) notice of 20 days to be given by the insured after the occurrence of injury or sickness; (*h*) written proof of claim for loss of time for disability to be given within 30 days of the commencement of the period for which the insurer is liable; (*i*) insurer shall furnish to the insured such forms for filing proof of loss; (*j*) the insurer shall have the right and opportunity to examine the person of the insured as often as reasonable; (*k*) payment of benefits shall be made not more than 60 days after receipt of proof; (*l*) indemnity for loss of life shall be payable to a specified beneficiary or to the estate of the insured; other indemnities shall be payable to the insured; (*m*) no action at law or in equity shall be brought within 60 days after filing of proof of loss; no such action shall be brought after 2 years after the expiration of the time within which proof of loss is required.

It is required that retirement and pension systems set up under the New York insurance law shall provide for (*a*) a board of trustees who shall be empowered to collect and disburse funds, and whose investment of funds shall be limited in every respect as in the case of the funds of a domestic life insurance company; (*b*) rates of contribution shall be fixed upon the basis of actuarial recommendations and adequate to support the benefits granted; (*c*) reserves shall be maintained which are calculated to be adequate to cover the liabilities on the basis of an interest rate not in excess of 4 percent per annum (revised to 3 percent per annum in 1946) and other experience tables based on reliable experience.

The premium requirements for all types of group insurance are so written in the New York statute to limit the issuance of such group policies to a stipulated number (e. g., a minimum of 50 members of a group) and a stipulated percentage of the total of the group or classes covered (e. g., 75 percent of the total). The net premiums must be based on a mortality or experience table, with interest at 3½ percent per annum, plus a loading computed in accordance with a formula which is determined by the superintendent. Participation in the surplus of insurance companies, a readjustment of the rate of premium or a payment of dividends may be used to reduce the employer's contribution to group insurance for his employees, and the excess over such employer contribution must be applied for the sole benefit of the employees.

The New York State insurance superintendent suggested to members of the staff of the committee that several statutory safeguards in the New York insurance law be considered in connection with the advent of labor unions into fields which parallel the activities of commercial insurance companies. At the request of the superintendent, the counsel to the New York State Insurance Department also submitted his views. It was his belief that the pattern provided in the State insurance law for the supervision of insurers should serve as a guide in fashioning statutory regulations to safeguard the interests of union members in welfare funds established by bargaining agreements pursuant to the Labor-Management Relations Act of 1947, which funds are jointly administered by representatives of the employer and employees, together with such neutral persons as the employee and employee representatives may agree upon, who act in the capacity of trustees.

Employee Interests

A common feature of most plans the committee has examined is the requirement conditioning enjoyment of benefits upon "good standing in the union." The wisdom of using a welfare program as a means of enforcing union discipline is seriously questioned. The inadvisability of such a use is especially apparent where continuous good standing in the union for as many as 20 years is necessary in order for a participant to be eligible for pension benefits. It also provides a means of obtaining a condition closely approaching the closed shop now prohibited by the act. The benefits may become so attractive as to militate against any free choice in the change of bargaining representative or repudiation of the existing representative.

Vested rights to retirement benefits

With regard to pension plans there is the question as to when there vests in an employee a right to benefits derived from contributions made by the employer on his behalf. Must he remain with the employer until retirement in order to acquire benefits under the plan; is there provision for graduated benefits in the event he leaves the service of the employer prior to retirement; or is there provision for immediate full vesting? In presenting conditions with respect to vested rights to retirement benefits, it is recognized that the absence of such rights may be due in part to the additional cost that would otherwise be involved. Whether such an additional expenditure is justifiable would depend upon the specific case. Nevertheless the facts demonstrate an area for possible change. The same applies to the social security integration provisions.

Vesting is not a condition required of a pension plan for qualification under section 165 (a) of the Internal Revenue Code of 1942. While a violation of the prohibition against discrimination in favor of officers, shareholders, or supervisory and highly paid employees could conceivably arise out of forfeitures resulting from the absence of vesting

provisions, it is unlikely that this would be the case inasmuch as Regulation 111, section 29.23 (p)–1 provides for a deduction of contributions under a pension plan whether or not the employees' rights in such contributions are nonforfeitable, and Regulation 111, section 29.165–1 (a) provides that forfeitures under a pension plan must be used to reduce the amount of the employer's contributions.

The pension trust information released by the Bureau of Internal Revenue and referred to previously contains information concerning the vesting provisions of the 6,862 pension plans which had qualified under section 165 (a). Participating under these plans were a total of 3,290,608 employees. Considering "full vesting" to be accomplished when an employee obtains the right, in the event of his withdrawal from the employer's service, to the benefits derived from all of the employer's contributions made on his behalf, the Bureau found that 1,016 plans covering 104,339 employees provided immediate full vesting. When considered from the standpoint of the method used to insure the plans, it is found that of the employees entitled to immediate full vesting, the greatest number are participants of plans which are wholly insured by individual contracts, rather than by group contracts, self-insurance, or some other method. Forty-one thousand and eighty-nine, or 20.2 percent, of the participants in plans so insured are entitled to immediate full vesting.

A total of 4,898 plans covering 1,347,484 employees provided some vesting prior to retirement, but not immediate full vesting. Of the employees with vesting rights falling within this category the largest number are insured by group contracts. Six hundred and sixty-two thousand five hundred and twenty-five, or 74.5 percent, of the participants in the plans so insured, are entitled to some vesting before retirement, but not immediate full vesting. Included in this category are a number of classifications. For instance some plans provide graduated vesting prior to full vesting, with full vesting granted after participation in the plan for a given period of time; others provide no graduated vesting but allow full vesting after a specified period of participation in the plan; yet others have no provision for graduated vesting but grant full vesting rights after a designated number of years in the service of the employer without regard to the length of participation in the plan. Numerous other types of vesting provisions combining age and service requirements are also found. The provision for graduated vesting takes the form of a right to a percentage of employer-purchased benefits, the percentage varying with the period of participation.

According to the Bureau's statistics, a total of 948 plans in which 1,838,785 employees participated provided no vesting before retirement. In other words, more than one-half of the employees participating in all of the qualified pension plans reported upon are without vested rights to benefits under the plans prior to their retirement. When broken down according to the method used for insuring these plans which make no provision for vesting prior to retirement the statistics show the following. The greatest percentage, 50.4 percent of the self-insured pension plans, provide no vesting prior to retirement. Under this type of insured plan, 1,453,576 employees, or 76.2 percent of the total number who participate therein, are granted no vesting rights prior to retirement. Sixteen and three-tenths percent

of the plans wholly insured by group contracts under which 188,680 employees participate contain no provision for vesting before retirement. With regard to plans that are wholly insured by individual contracts, 5.8 percent embracing 20,723 participating employees provide no vesting before retirement. Twenty-two and nine-tenths percent of the pension plans insured by various other methods not stated and covering 175,806 employees provide no vesting before retirement.

Collectively bargained plans have only recently provided for retirement benefits and it is therefore unlikely that the statistics discussed above include many such plans. Nevertheless, information before the committee about retirement benefits under plans negotiated by such unions as the Progressive Mine Workers of America, the United Mine Workers, the International Brotherhood of Electrical Workers, and the Amalgamated Clothing Workers of America, does not indicate that employee members obtain a vested right to benefits under the plans before their retirement. In fact, such rights would seem to be inconsistent with the usual requirement that a beneficiary be a member of the union in good standing for a specified number of years prior to applying for retirement benefits.

Integration with social security

While the Internal Revenue Code as amended by the Revenue Act of 1942 requires that there be no discrimination in favor of employees who are officers, shareholders, supervisors, or highly paid employees, section 165 (a) (5) specifically states that a classification shall not be discriminatory merely because it excludes employees whose total remuneration constitutes "wages" under the Federal Insurance Contributions Act or because it covers only salaried or clerical employees. Neither is a plan discriminatory merely because the contributions or benefits thereunder bear a uniform relationship to the employee's total compensation, or a basic or regular rate of compensation, or because the contributions or benefits differ as between the employee's remuneration excluded or not excluded from "wages" under the Federal Insurance Contributions Act, or because there is a difference based upon retirement benefits created under State or Federal law.

The extent to which qualified pension plans contain provision for integration with social security and the meaning of such integration is set forth in the following paragraphs quoted from a letter dated September 3, 1948, from the Commissioner of Internal Revenue to the chairman of the committee:

> Integration of a pension or profit-sharing plan with the social-security program is usually understood to mean the provision for benefits under that plan which bear an increasing ratio to compensation (rather than a constant or a decreasing ratio) as the level of compensation increases, in such a manner as to offset, fully or partially, the decreasing ratio which social-security benefits (under title II of the Social Security Act or under the Railroad Retirement Act) bear to compensation as the level of compensation increases. On the basis of this definition, it is found that 2,688 (2,646 pension and 42 profit-sharing) of the 9,370 approved plans included in the published data integrated with the social-security program. [Included in the figure of 9,370 are 2,508 profit-sharing plans.] Of these 2,688 plans, 735 integrated with social security by excluding from the computation of benefits the portion of annual compensation below a specified figure ($3,000 in the majority of such cases) and therefore in effect excluded from coverage those employees whose annual compensation was below such figure. Another 1,299 of the 2,688 integrated plans, while not excluding any portion of the compensation from computation of benefits, provided a higher benefit rate with respect

to that portion of annual compensation in excess of a specified figure (usually $3,000) than with respect to the portion of annual compensation not in excess of that figure. The remaining 654 plans integrated merely by providing that benefit amounts otherwise available to the employee would be reduced by the amount of the employee's social-security benefit or a percentage thereof, thereby in some plans excluding many of the lower-paid employees from effective participation.

It should also be noted that many other approved plans, while not integrated with the social-security program either by exclusion of employees receiving less than a specified amount of compensation or by the other methods described above, may nevertheless exclude from participation a large proportion of lower-paid employees because of the fact that their coverage excludes hourly wage employees. It is found that there were 3,260 approved plans whose coverage was limited to specified job classifications, and presumably most of these excluded all hourly wage employees and covered salaried employees only, qualification of plans with such coverage limitation being possible under section 165 (a) (5) of the Internal Revenue Code. Just how many of the plans excluding hourly wage employees were also included among the 2,688 integrated plans referred to above cannot be ascertained. It is probable, however, that between 4,500 and 5,000 approved plans, roughly one-half the total number, either have excluded all hourly wage employees or have benefitted primarily the higher-paid employees through integration with the social-security program.

Failure to Foster Sound Relations

Health, welfare, and retirement plans already established through collective bargaining agreements could serve as an additional means of fostering sound labor-management relations. However, they have not always been used in this manner. Because of the method of paying benefits and for other reasons worker members tend to regard the plans as entirely union functions. They do not fully realize the part played by management in financing the plans and otherwise participating in their operation. Management itself is partially responsible for this. Feeling that the payment of contributions is sufficient, it has not always insisted upon actual participation in the operation of programs.

A properly administered joint plan would give credit to labor and management, and both parties would perform functions in the interest of the participants under the plan. In that way loyalties would be strengthened rather than destroyed.

Temporary Nature of Protection

However desirable might be the great increase in group insurance and union interest in group protection, since it affords low-cost insurance to those who might not be able to maintain individual policies, this increase does present a serious problem. Benefit eligibility usually ceases when a participant is suspended, expelled or withdraws from the union, or upon termination of his employment by a participating employer. However, with regard to group life insurance, the insured whose employment terminates often has the right to convert to a policy of ordinary life insurance, provided he does so within a limited period of time. Also, at times, an insured status is retained for a specified short period. But generally insurance protection is lost upon termination of employment or union membership. Benefits are therefore unavailable when they are needed most.

In his report on group life insurance to the 1948 legislature, the New York State superintendent of insurance expressed concern that too great reliance may be placed on a form of insurance that is temporary in the sense that it is contingent upon the continuation of employment. He states that group life insurance was never designed as a substitute for permanent protection, but was intended primarily as a supplement. He, therefore, questions the ability of persons insured under group contracts to avoid loss of this protection in a period of widespread unemployment.

In this report, the superintendent cites the experience of the 1930's, in which the loan values on ordinary life insurance policies were of great assistance to many policyholders as a financial resource which enabled them to keep their policies in force. By contrast, the conversion privileges of group contracts, limiting conversion to within 31 days of the termination of employment, might impose hardship upon many. It is likely that those whose incomes have been curtailed will let their insurance lapse, since they are not in a position to convert to the more expensive individual contract. The importance of this is demonstrated in the tremendous amount of group life insurance in force—approximately $33,000,000,000 in 1947. The figure for 1933 was about $9,000,000,000. He urged that the insurance industry, employers, and unions cooperate to determine a better solution to the problem of loss of insurance protection during times of temporary financial adversity.

Restrictions Provided in Section 302

Funds established prior to January 1, 1946

Section 302 (g) exempts from the requirement for equal representation by employers and labor organizations in the administration of the funds, "contributions to such trust funds established by collective agreement prior to January 1, 1946." In our March 15, 1948, report we pointed out that arbitrators have construed this subsection to permit a perpetual exemption from the requirement of equal representation to those funds established prior to January 1, 1946, even though the contribution is being made by an employer for the first time. In other words, a labor organization having one fund in existence prior to that date any place in the United States and no matter how few employees is covered might still bypass the statutory requirement if it could induce other employers to make their contributions to the preexisting fund. That practice is being followed (hearings pp. 434–437).

Employees of such employer

Section 302 (c) (5) in restricting the use to which such funds may be put states "for the sole and exclusive benefit of the employees of such (the contributing) employer." This provision has been an issue in the activation of the fund of the United Mine Workers and in the continuation of the fund of the American Federation of Musicians.

The March, 1948, strike in the coal mines grew out of the inability of the trustees of the miners welfare fund to agree upon its activation. John L. Lewis, the trustee designated by the union, proposed the payment of $100 per month to members of the United Mine Workers who had reached the age of 60 and who had been employed in the industry for 20 years. One of the objections to this proposal made by the trustee selected by the employers was that benefits must be confined to em-

ployees of the contributing employers. He pointed out that the Lewis proposal would provide pensions for union members working in non-union mines whose owners would not be contributing to the fund.

The musicians' fund had been supported by a royalty upon records which the recording companies paid into the fund. The benefits of the fund were enjoyed by unemployed musicians paid from the fund to present free music to the public. In most, if not all instances, the musicians directly benefiting were not and never had been employed by the contributing recording companies. When the parties were unable to agree upon a plan for continued support of the fund, the union refused on December 31, 1947, to make any more records.

Employee representatives

Agreement between the musicians union and the recording companies was finally reached on December 13, 1948, when the Attorney General issued his opinion that a plan agreed upon by the parties did not violate the act. A copy of the Attorney General's opinion and supporting memoranda is included in the appendix. It was his opinion that the restrictions in section 302 were inapplicable to the fund because the royalties were to be paid by the recording companies to a trustee selected by them who was therefore not a representative of the union within the meaning of the act.

The committee has been informed that the original neutral trustee for the miners' fund expressed his opinion that that fund was not subject to the restrictions of section 302 because the employer contributions were not made to an employee "representative," but to the trustees.

In *Rice-Stix Dry Goods Co.* v. *St. Louis Labor Health Institute*, 22 LRRM 2528 (U. S. Dist. Ct. E. D. Mo., 1948), the court held that a welfare-fund plan was not subject to the restrictions of section 302 of the act. In this case the officers of the union had organized a corporation devoted to charitable, religious, scientific, and benevolent purposes. The union and the employer entered into a collective-bargaining agreement whereby the employer agreed to make payments for the benefit of his employees to the charitable corporation. The employer filed its complaint for a declaratory judgment, joining the charitable corporation and the union as party defendants, seeking the court's determination of the question whether the employer could, without violation of section 302 of the Labor-Management Relations Act, 1947, make the payments to the charitable corporation required by the collective-bargaining agreement.

The court ruled that such payments could lawfully be made for the reason that the charitable corporation was not a representative of any employees of plaintiff as set forth in section 302 of the Labor-Management Act, 1947, and that the "management and funds of the St. Louis Labor Health Institute are not under the control of" the union. Whereas the court found that the management and funds of the charitable corporation are not under the control of the union, it appears from the record itself that the top officers of the union not only organized the charitable corporation but are the president and secretary-treasurer of it.

Description of Various Collectively Bargained Funds

The following description of various health, welfare and retirement funds is only a partial story of the nature and extent of union demands for the creation of welfare funds. Such a demand constituted an issue in the September strike of the A. F. of L. teamsters in New York City. Likewise, it was one of the demands made by the International Longshoremen and Warehousemen's Union prior to the time that negotiations with the employer groups were broken off on September 1, 1948. Again it was presented to the Metropolitan Opera Association during the period of negotiations in August of 1948. Still other demands, local in nature, have been made, all of which demonstrate the importance which welfare funds have assumed in collective bargaining.

United Mine Workers of America Welfare and Retirement Fund in the Bituminous Coal Industry

The drive of the United Mine Workers to obtain and place in operation a welfare and retirement program has been marked by repeated disagreements and strikes. The union first succeeded in having such a program included in its contract when the Krug-Lewis agreement of May 29, 1946, was negotiated.

Krug-Lewis agreement

This agreement, to which the Government was a party, was arrived at only after negotiations between the union representatives and representatives of the coal operators had failed. Negotiations between the union and the operators over a new contract in the bituminous industry had begun in the latter part of March, 1946. Agreement had not been reached by April 1 and the miners refused to go to work inasmuch as the existing contract expired March 31. After 59 days of work interruptions, the Nation's economic structure was seriously jeopardized. Representatives of both parties to the dispute informed the President of their inability to agree, and on that date, May 21, 1946, Executive Order No. 9728 was issued. Under its provisions the Secretary of the Interior seized the mines. Subsequently, representatives of the Government and the union entered into negotiations and agreed upon the so-called Krug-Lewis contract.

By its terms, there was created a welfare and retirement fund into which the operating managers paid 5 cents for each ton of coal produced. The purpose was to provide benefits to miners and their dependents and survivors in case of temporary or permanent disability, death, or retirement, and other related purposes as determined by the trustees. Three trustees, composed of one appointed by the Coal Mines Administrator, one by the president of the union, and a third person chosen by the other two, were given authority to manage the fund, determine questions of coverage, eligibility, benefits, and all related matters.

Contributions to the welfare and retirement fund amounted to approximately $18,000,000 during the first 10 months of its existence. Slightly over 10 months after the Krug-Lewis agreement was signed, the trustees of the fund completed organization and held their first formal meeting. A resolution was passed approving death-benefit payments of $1,000 for all United Mine workers retroactive to June 1, 1946. In addition to the death benefits, individual distress benefits

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were paid from the 1946 fund. According to the president of the UMWA, $14,956,951.17 remained in this fund as of March 6, 1948.

In addition, the agreement provided for a medical and hospital fund to be administered by trustees appointed by the president of UMWA. This program was to be financed by deductions from the wages of employees. However, operating managers were required to make the necessary wage deductions. It was provided that the moneys of this fund were to be used for medical, hospital, and related services for the miners and their dependents at the discretion of the trustees.

The agreement further provided that the Coal Mines Administrator would undertake a survey and study of the hospital and medical facilities, medical treatment, sanitary and housing conditions in the coal mining areas. Accordingly, such a medical survey was prepared and the conditions found to exist in the mines studied were presented therein. The director of the medical survey stated that the deficiencies found in the lives of the people employed in the industry were sufficiently serious and widespread to merit the need for reforms. On the basis of the facts revealed, the survey group made recommendations with respect to housing, sanitation and public health, industrial hygiene, off-the-job living, and general medical services and hospitalization.

Among specific recommendations were the following:

1. Coal-mining companies take active steps, without delay, to assure a safe and potable water supply and adequate sewage disposal (including the supplanting of existing privies, where necessary, with sanitary privies or with modern disposal facilities), to provide positive means for the organized collection and proper disposal of garbage and refuse, and otherwise to improve the basic sanitation of company-owned communities.

2. Coal-mining companies retain or employ physicians, either full time or part time, depending upon the number of mine employees and the industrial medical needs of the various coal-mining operations, to discharge management's responsibilities in protecting and promoting the health of employees at every bituminous-coal mine; such activities of the company physician to be incorporated into a clearly defined and comprehensive program of industrial medicine and hygiene that is separate and distinct from general medical care and hospitalization programs which are paid for by the employees themselves.

3. The United Mine Workers of America and the coal-mining companies assume joint responsibility in determining ways and means to assist the physically handicapped miner, and the injured or diseased miner in need of rehabilitation.

4. The prepayment plans of medical care now widely accepted by tradition and custom in the bituminous-coal-mining areas of the Nation be modified and consolidated into a broad prepayment system, based on sound actuarial principles, to provide comprehensive medical services to coal-mine employees and their dependents * * *.

5. Hospital facilities in the bituminous-coal-mining areas, in order to meet urgent requirements, be increased in size and improved in quality.

Agreement of 1947

Government operation of the mines under the Krug-Lewis agreement was to continue until June 30, 1947. However, on April 29, 1947, the Coal Mines Administrator assembled representatives of the union and the operators for the purpose of establishing a bargaining conference of the two groups and returning the mines to private management. Subsequent meetings were held, from time to time, during May for the purpose of reestablishing negotiations. During this time the southern operators reaffirmed their opposition to industry-wide bargaining and participation in a national conference. Therefore, separate negotiations were necessary. Provisions of the welfare and

retirement fund constituted one of the principal issues in this series of discussions. Negotiations between the northern group and the United Mine Workers broke down on May 31 and on June 3 negotiations with the southern group also ceased. Agreement was, however, reached with officials of the coal-mining subsidiaries of United States Steel Corp. and the Pittsburgh Consolidation Coal Co., the terms of which were embodied in the national bituminous coal wage agreement of 1947 dated July 8, 1947. Other operators in the industry later signed this agreement.

The agreement of 1947 created the United Mine Workers of America welfare and retirement fund, to which each operator agreed to pay 10 cents for each ton of coal produced for use or for sale. A board of trustees, composed of a representative of the union, the operators, and a neutral trustee selected by the other two, was established, the union representative to serve as chairman. The board of trustees was authorized to operate and administer the fund and was given full authority with respect to questions of coverage and eligibility, priorities among classes of benefits, amounts of benefits, methods of providing for benefits, investment of trust funds, and all other related matters. It was agreed, however, that the board of trustees should at their first meeting, or at the earliest practical date, set out in writing the detailed basis for paying benefits.

The fund was created for the purpose of paying—

(1) benefits to employees of said operators, their families and dependents for medical or hospital care, pensions on retirement or death of employees, compensation for injuries or illness resulting from occupational activity or insurance to provide any of the foregoing, or life insurance, disability and sickness insurance, or accident insurance; (2) benefits with respect to wage loss not otherwise compensated for at all or adequately by tax-supported agencies created by Federal or State law; (3) benefits on account of sickness, temporary disability, permanent disability, death, or retirement; (4) benefits or any and all other purposes which may be specified, provided for or permitted in section 302 (c) of the Labor-Management Relations Act, 1947, as agreed upon from time to time by the trustees including the making of any or all of the foregoing benefits applicable to the individual members of the United Mine Workers of America and their dependents; and (5) benefits for all other related welfare purposes as may be determined by the trustees within the scope of the provisions of the aforesaid Labor-Management Relations Act, 1947.

It was provided that the trustees should designate a portion of the payments, based upon proper actuarial computations, as a separate fund to be used for providing pensions or annuities for members of the UMWA or their families or dependents.

It was agreed that the trustees of the welfare and retirement fund created under the Krug-Lewis agreement should transfer the money remaining in that fund to the new fund where it would be devoted to the purposes set out in the agreement of 1947.

Wage deductions used to finance the medical and hospital fund referred to in the Krug-Lewis agreement were continued.

The welfare and retirement fund created under the 1947 contract was the source of bitter disagreement. Almost a year elapsed before the fund was activated. During this period the money remained uninvested and no benefits were paid therefrom. This resulted from the trustees' inability to agree upon the means of providing pensions. There was disagreement upon those eligible for benefits and upon the actuarial soundness of the proposed pension plans. The chairman of

the board of trustees, Mr. Lewis, proposed that all members of the UMWA, including those not covered by the 1947 agreement, receive $100 per month provided they were 60 years old and had been employed in the industry for 20 years. Mr. Van Horn, designated trustee by the coal operators, objected to Mr. Lewis' proposal as actuarially unsound and as violative of both the 1947 agreement and the Taft-Hartley Act in that pensions would be paid to persons not employed by the operators signatory to the agreement. The neutral trustee, Mr. Murray, considered this plan as actuarially unsound and submitted his own proposal.

Under the Murray proposal there would be allocated $20,000,000 from which monthly benefits of $100 would be paid to all members of the UMWA who had attained 60 years of age and had worked 20 years in the industry. However, he would restrict payments to those retiring on or after July 1, 1942, giving priority to those retiring after July 1, 1947. Neither of the other two trustees supported this proposal.

The trustees submitted the Lewis proposal to a firm of actuaries who found it unsound under the fund as constituted. Actuaries of the Federal Security Agency reported substantial agreement with the findings of the actuaries to whom the plan was originally submitted.

Failure of the trustees to agree upon the activation of the fund led Mr. Lewis on March 12, 1948, to state to the miners that the operators had dishonored and continued to violate the 1947 agreement. Following this communication, the miners started to leave their jobs and by March 16 all the mines were closed. The board of inquiry named by the President of the United States reported on March 31, 1948, that independent action taken by the president of the United Mine Workers induced the members to take concerted action to stop work. On April 3 the Attorney General of the United States obtained an injunction. However, the miners remained away from the mines until April 12, 1948. For failure to obey the court order, the United Mine Workers Union and its president were subsequently found guilty of criminal contempt by the District Court of the United States for the District of Columbia. The walk-out ended on April 12 when a method proposed by Senator Bridges, newly appointed neutral trustee, for activating the fund was agreed upon. Mr. Lewis and Mr. Van Horn had on April 10 agreed upon the appointment of Senator Bridges as the neutral trustee to replace Mr. Murray, who had resigned on January 16, 1948.

The tentative method proposed by Senator Bridges and agreed upon by the majority of the trustees for activating the fund provided that $5,000,000 be set aside for retirement benefits. Monthly benefits of $100 would be paid to those members of the UMWA upon attaining 62 years of age and upon completion of 20 years in the coal industry on or after May 29, 1946.

Still convinced that under the contract and the Labor-Management Relations Act of 1947 pension benefits could not be paid to members who were not employed by employers who contribute to the fund, Mr. Van Horn petitioned the district court for an injunction to prevent payment from the fund. Administration was therefore delayed pending the outcome of the case.

Agreement of 1948

On April 30, 1948, a call for a joint wage conference to take place on May 18 went out to all signatories to the 1947 agreement for the purpose of negotiating a successor contract to the one which was to terminate on June 30, 1948. The joint conference was unable to agree as to whether the Southern Coal Producers Association should be included in the representation. The association filed an unfair labor practice charge with the NLRB alleging a refusal to bargain and the Board thereupon petitioned the district court for an injunction requiring the UMWA to recognize the association as a negotiating representative. Such an injunction was issued on June 4, 1948.

Activation of the 1947 fund was again a subject for discussion at the bargaining conference, and it served to impede the writing of a new contract. Mr. Lewis stated:

> If after 11 months and nearly 12 under the old agreement we are unable to get the operators to honor that agreement, then there is little justification of our undertaking to negotiate another agreement without the guaranty for the honoring of both.

No progress having been made toward arriving at an agreement, the President of the United States appointed a board of inquiry, which called a meeting for June 22 with the representatives. However, on that day the district court granted a summary judgment in favor of the position taken by the majority of the trustees, and dismissed Mr. Van Horn's petition. This difficulty involving an interpretation of the contract and the law having been overcome, the parties reached agreement upon the terms of the new contract, and executed such an agreement on June 25, 1948.

Under the terms of the national bituminous coal wage agreement of 1948, effective July 1, 1948, the welfare and retirement fund was continued and employer contributions thereto were increased from 10 to 20 cents for each ton of coal produced for use or for sale.

Operation of the fund

The welfare and retirement fund established by the Krug-Lewis agreement is administered by a board of trustees which is entirely separate from the board authorized to administer the fund created by the 1947 agreement. The latter agreement provided for the transfer of moneys remaining in the Krug-Lewis fund, but, so far as is known, this transfer has not yet been made. Payments from the original fund consisted of $1,000 death benefits and individual distress benefits. Another fund provided for in the Krug-Lewis agreement is the medical and hospital fund, which is financed by employee wage deductions and is administered entirely by persons selected by the president of the United Mine Workers. It is therefore not of primary interest in connection with this study.

The welfare and retirement fund created by the 1947 agreement and continued by the agreement of 1948 with a substantial increase in contributions is still quite new from the standpoint of operation. Miss Josephine Roche has been named director and a staff has been assembled. In September 1948, Miss Roche estimated that from 180 to 200 persons were working at the central office in connection with the administration of the fund. A number of these persons were, however, loaned by the union and paid by the union. The salaries of

those staff members not paid by the union are paid from moneys in the fund as a proper cost of that fund's administration. Miss Roche was of the opinion that about one-third of the work of the staff would be carried on at the top level inasmuch as pension claims would be handled in Washington under the method of administration contemplated at that time. The remainder of the work in connection with the administration of the pension fund would be done at the level of the locals and the districts.

Resolution No. 20 of the board of trustees established the following regulations governing the payment of pensions:

I. ELIGIBILITY

A. Any member of the United Mine Workers of America who is otherwise qualified, and who retires from the bituminous-coal industry on or after May 29, 1946, shall be eligible for a pension.

B. Proof of membership:

1. The local union where applicant is last a member shall certify as to membership of applicant.

2. Districts of the United Mine Workers of America shall also certify as to membership of an applicant.

3. The international office of the United Mine Workers of America shall have final authority to certify as to membership of applicant.

II. AGE

A. Any member of the United Mine Workers of America who on May 29, 1946, was 62 years of age or over, or who thereafter attained or attains the age of 62 years, and is otherwise qualified, shall be eligible for a pension.

B. Proof of age:

1. Information shall be obtained from the Social Security Administration records as to the age of applicant.

2. Applicant shall be required to submit documentary evidence of probative value to establish his age in cases where the Social Security Administration records are incomplete or are contrary to the age stated by applicant on the application for a pension.

III. SERVICE

A. Any member of the United Mine Workers of America who on or after May 29, 1946, has completed 20 years' service in the coal industry, and is otherwise qualified, shall be eligible for a pension.

B. Proof of service:

1. Definitions:

a. A year is 12 calendar months.

b. A quarter shall be a period of three calendar months ending on March 31, June 30, September 30, or December 31.

c. A year of service is one in which applicant:

(1) Worked in a job classified in any national coal-wage agreement for two quarters for an employer in the coal industry and earned a minimum of $50 in wages in each quarter.

(2) Rendered service for two quarters as an employee of the United Mine Workers of America and is not eligible for pension under the United Mine Workers of America pension plan.

(3) Is credited with two quarters military service.

(4) Was in an employment relation with an employer in the coal industry but did not perform active service for two quarters due to personal accident, illness, furlough, or leave of absence.

d. The two quarters mentioned in paragraph *c*, above, may be considered a year of service whether or not they are in the same calendar year; but in no case shall a quarter be considered toward a year of service if it is in any calendar year in which a year of service has been counted.

2. Evidence:

a. Proof of service may be accomplished in any of the following ways:

(1) Certifications by a local union, or by local unions, or by districts of the United Mine Workers of America that an applicant served in the coal industry shall be deemed to be satisfactory proof of service for the period or periods covered by such certifications.

(2) Statements by persons who have personal knowledge of applicant's service in the coal industry shall be deemed to be satisfactory proof of service for the period or periods covered in such statements.

(3) Certified copy or photostatic copy of discharge from a branch of the defense department of the United States or statement from the appropriate branch of the defense department shall be deemed to be satisfactory proof of service for the period or periods covered in such discharge or statement during which the United States was engaged in national emergency or war.

(4) The director of the United Mine Workers of America Welfare and Retirement Fund shall obtain or cause to be obtained evidence from Social Security Administration records as to service of applicant in the coal industry, wherever such evidence may be necessary.

IV. RETIREMENT

A. Retirement from service shall be when the member of the United Mine Workers of America permanently ceases work in the bituminous-coal industry.

V. PAYMENTS

A. The first payment of a pension to a retired member of the United Mine Workers of America shall be made the first month after the retirement of pensioner. Upon approval of a pension, payment shall be made retroactively to the date of retirement, provided that no payments are to be made unless retirement was subsequent to May 28, 1946.

B. Commencing with the first payment, the pension shall be payable on the first of each month to pensioner at his last address of record, and shall be payable during the lifetime of pensioner; provided, however, such payments shall be suspended for any month that pensioner performs compensated services for an employer in the coal industry, or ceases to be a member of the United Mine Workers of America in good standing, or is mentally incompetent or otherwise incapable of conducting his affairs.

VI. TERMINATION OF PENSION

A. A pension shall terminate upon the death of the pensioner, the last payment being made for the month in which death occurred.

VII. FALSE STATEMENTS

A. Any applicant for a pension who knowingly and willfully falsifies any records or makes any false misrepresentations or statements in order to secure a pension from the United Mine Workers of America Welfare and Retirement Fund shall be barred from receiving any benefits from the Welfare Fund.

Be it further resolved, That the director of the United Mine Workers of America Welfare and Retirement Fund is hereby authorized and directed to activate this resolution in accordance with its terms and conditions and in accordance with the terms and conditions contained in Resolution No. 8.

Pension benefits payable under the above regulations will not be insured by a commercial carrier but will be paid directly from the fund.

The joint report of the international officers of the fortieth consecutive convention of the United Mine Workers of America estimates that, by current tonnage payments, $100,000,000 per year will be paid into the bituminous welfare and retirement fund. The report also contains a break-down of figures with respect to the operation of

this fund from its inception up to and including July 31, 1948. Assistance grants totaling $21,311,858.26 were made to 47,082 disabled members and to 18,211 widows of deceased members. A total of $7,986,452.97 was paid out in 8,063 death-benefit gratuities. Under a special hospitalization program, the sum of $85,079 was paid for hospitalization and special rehabilitation of UMWA members paralyzed as a result of mine accidents. Approximately 400 members received benefits under this hospitalization program.

With regard to the above figures, no distinction is made as to whether benefits were paid under the 1946 fund or the 1947 fund.

Anthracite fund

A detailed study of the fund in the anthracite industry has not been undertaken. This fund is somewhat similar in operation to that found in the soft-coal industry. The royalty paid on each ton of coal is the same, and the union estimates that such contributions will approximate $10,000,000 a year. Provision is made for pension benefits, a death-benefit fund, a medical and disability fund, and a silicosis fund.

The disagreement which has characterized the bituminous fund has been absent in the anthracite health and welfare fund.

Welfare and Retirement Programs of the Amalgamated Clothing Workers of America, CIO

The Amalgamated Clothing Workers of America supervises the operation of insurance and annuity programs offering benefits payable in case of death, disability, hospitalization, maternity, and retirement. All programs are financed entirely by employer contributions and administered under the supervision of the Amalgamated's national office. Centralization is a leading characteristic, and the extent to which control is exercised at the top level is demonstrated in the procedure for paying claims. For example, one claiming sick benefits notifies the local of his illness and obtains an application form which he completes and returns to the local, where it is verified and forwarded to the Amalgamated Life Insurance Co. Here the role of the local ceases; and, upon notification also by the employer of the claimant's absence from work, the insurance company processes the claim and prepares the check which is sent directly to the beneficiary. The insurance company controls malingering by employing registered nurses and investigators of Hooper-Holmes and the Retail Credit Co. to check on claimants.

Scope of Funds

There are seven separate funds over which the national office exercises supervision. They are set up on the basis of industries organized by the ACWA and local affiliates.

(1) The Amalgamated insurance fund is national in scope and covers union employees engaged in the manufacture of men's and boys' clothes. The original trust agreement for the fund is dated July 1, 1942. (Hereinafter referred to as the "clothing fund.")

(2) The Amalgamated Neckwear Workers insurance fund is limited to Greater New York City and New Jersey inasmuch as it covers only the members of locals 250, 253, and 256, ACWA. July 1, 1944, is the date of the original trust agreement.

(3) The Amalgamated Cotton Garment and Allied Industries insurance fund is national in scope, its beneficiaries being those union employees engaged in the manufacture of cotton garments, furnishings, and allied products. The original trust agreement is dated January 1, 1945.

(4) The Amalgamated Laundry Workers insurance fund covers those laundry workers affiliated with the Laundry Workers Joint Board of Greater New York. January 2, 1946, is the date of the original trust agreement for this fund.

(5) The Amalgamated Cleaners and Dyers insurance fund covers only members of local 239, ACWA, and is, therefore, confined to Greater New York City. The original trust agreement for the fund bears the date of April 1, 1946.

(6) The Amalgamated retail insurance fund, established October 1, 1945, covers 825 New York City retail-clothing salesmen of local No. 340, ACWA.

(7) The Amalgamated Washable Clothing, Sportswear and Allied Industries insurance fund was created April 27, 1940, and is restricted to 5,095 members of local No. 169, ACWA, located in the Greater New York-New Jersey area.

Complete information is not available on the last two funds; therefore, they are not analyzed in detail by this report.

In addition to the funds described, there is in operation a Chicago fund, which provides insurance benefits exclusively. These funds of the Amalgamated Social Benefits Association are supervised by the Chicago Joint Board, ACWA, rather than by the national office. This difference results from the fact that the Chicago fund is the pioneer, having grown out of an unemployment insurance fund which was created in 1923 and later converted into the present fund offering life- and health-insurance benefits. However, 11,044 Chicago clothing workers receive retirement benefits from the clothing fund administered by the national office.

Below are figures on the number of contributors, the percentage of contributions, and the number of potential employee beneficiaries under the funds:

Fund	Number of contributors	Percentage of contributions	Number of employee beneficiaries
Clothing	3,207	5	130,760
Neckwear	127	3	1,811
Cotton	687	2	52,480
Laundry	1,400	2	15,201
Cleaners and dyers	109	2	2,927
Total	5,530		203,179

Only the clothing fund provides retirement benefits, the remaining funds being restricted to group insurance. However, it is necessary to break the clothing fund down into "nonretirement," "general," and "retirement" sections. The nonretirement section was established in July 1942. Nine hundred and eighty firms contribute to this section

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2 percent of the wages of 8,340 employees exclusively for the purchase of insurance. The general section was also established in July 1942, but it is composed of 2 percent contributions from 2,097 firms for approximately 111,376 employees. The same group of 2,097 firms has, since December 10, 1945, paid an additional 3 percent into the retirement section. In addition, 130 Chicago firms have paid into the retirement section 3 percent contributions on the wages of approximately 11,044 employees. All funds are audited annually by certified public accountants.

CLOTHING FUND

Each fund has been created pursuant to a separate agreement and declaration of trust executed by representatives of the employers and the union. However, the purposes for which the various funds have been created are essentially the same, and the agreements prescribe similar requirements for their administration. In each case, insurance is purchased from the Amalgamated Life Insurance Co., Inc., which is a corporation owned and organized by the union under the laws of New York for the sale of group insurance to members of the ACWA.

Board of trustees

The December 10, 1945, declaration of trust for the clothing fund is typical. It provides for a board of trustees and an advisory committee. Over-all administration is vested in the union representatives who compose the board of trustees; however, certain veto powers are granted to the advisory committee made up of employer representatives. The board of trustees is designated by the general executive board of the ACWA from among the membership of the general executive board; and, while there are now 12 on the board of trustees, there is nothing in the agreement that limits membership to 12. Decisions of the trustees are made by the concurring vote of the majority. Trustees serve without compensation for the performance of their duties, but they are reimbursed for reasonable and necessary expenses incurred. They are given the power to demand, collect, and receive employer contributions, including the authority to prosecute delinquents.

Union facilites are available without charge to aid the trustees in the collection of contributions. The collective-bargaining agreement under which employers undertook to contribute to the fund and supplemental agreements thereto permit the trustees to enter upon the premises of an employer and examine such books, records, papers, and reports as may be necessary to permit them to determine whether the employer is in full compliance with the terms of the agreement. Trustees are authorized to pay from the fund the expenses of collecting the employer contributions and for the cost of administering the fund. Moneys not required for current expenditures may be invested in such securities as the laws of the State of New York permit, subject to certain hereinafter-described controls exercised by the advisory committee. The moneys and property of the retirement section must be kept separate and apart from the remainder of the Clothing Fund, and separate books kept thereon. All transactions are audited annually by a certified public accountant.

Advisory committee

Successors to the original advisory committee, the members of which were designated by the Clothing Manufacturers Association of the United States of America, are named by the board of directors of the association from the membership of their own group. While there are now 12 on the advisory committee, the number is not fixed. Inasmuch as the committee votes as a unit on all matters within its sphere of authority, its total numerical composition is not considered important. Decisions are made by a concurring vote of the majority of all members. As presently composed, the advisory committee represents the organized local markets as well as independents in the industry. According to union officials, employers prefer the present form of representation on the advisory committee rather than their serving on the board of trustees. Further, the union stated that the fund was originally established under a joint trusteeship providing equal representation and that this was abandoned for the present form of organization under which the advisory committee, voting as a unit, exercises veto power over certain fundamental questions. This change is attributed to a desire to eliminate the disproportionate influence which would have been exercised by a single vacillating voter in a finely balanced joint trusteeship.

The employer's view on this form of representation was expressed by Raymond H. Reiss, chairman of the advisory committee and vice president of the International Tailoring Co., when he said:

> We thought it best to set up our management in this form, because if we had equal representation of management and of labor on the board of trustees, and a matter came to a vote, and one member of the management group voted with the solid labor bloc, he could control the entire policies of the fund; and it is also conceivable that one labor man might vote with a solid employer bloc (National Industrial Conference Board, Studies in Business Economics, No. 8).

The consent of the advisory committee is required before the board of trustees may dispose of any property belonging to the fund or invest any moneys of the fund, or borrow any money or mortgage or pledge any property of the fund. However, the trustees may pay administrative expenses, premiums on authorized insurance policies, and may invest in securities of the United States Government without the consent of the advisory committee. Further, the trustees may not make substantive changes in benefits, such as changes in amounts to be paid or in the duration of benefits, without the prior consent of the advisory committee.

The members are reimbursed for reasonable and necessary expenses, but receive no compensation for performance of their duties.

Executive committees

No provision is made in the declaration of trust for its formation, but an executive committee composed of two from the advisory committee and three from the board of trustees has been created as a working committee for handling questions arising under day-to-day operations. The executive committee serves as a vehicle for presenting views of the union and management groups. The procedure adopted is as follows:

> The advisory members of the executive committee solicit the opinion of the association on the issue involved and present this opinion to the advisory committee; the trustee members obtain the views of the general executive board of the union

and present them to the board of trustees, preparatory to the joint meeting of the advisory committee and the board of trustees.

Acting director

The executive officer of the clothing fund is Mr. James J. Shoaff. His title is that of acting director inasmuch as his primary position is that of manager for the Amalgamated Life Insurance Co. He receives pay only for duties performed as manager of the insurance company. In his capacity as acting director, he is in charge of a combined staff of auditors, bookkeepers, and clerical workers totaling 40 employees, who record contributions and investigate discrepancies for both the clothing and cotton funds. This staff is entirely separate from that of the insurance company, and salaries are paid from the clothing and cotton funds.

Termination of program

In the event of termination of the insurance and retirement programs, the board of trustees and advisory committee are required by that trust agreement to apply jointly the remaining assets to the purposes for which the fund was created. Such joint decisions are arrived at by "concurring vote of a majority of the trustees designated by the union and a majority of the advisory committee designated by the Clothing Manufacturers Association of the United States of America." In the event of a deadlock, Jacob S. Potofsky resolves the issue so long as he is chairman of the board of trustees. In case of his death, resignation, disability, or refusal to act, the question will be decided by a person designated by the president of Columbia University.

OTHER FUNDS

The remaining four funds are supervised by the national office of ACWA and established pursuant to trust agreements which are similar to the one for the clothing fund. There are, however, points at which the agreements differ.

Neckwear fund

In the case of the neckwear fund, the board of trustees is composed of five members who, according to the agreement and declaration of trust, are designated by the ACWA. Trustees must be officers of the Amalgamated or of local No. 250 or local No. 253. The six members of the advisory committee were designated by the Men's Neckwear Association of New York, Inc., from its membership. Successors are designated by the board of trustees of the association. Deadlocks arising in connection with the disposal of money remaining on the termination of the insurance programs are resolved by the general president of the ACWA.

Cotton fund

The board of trustees of the cotton fund is composed of three members designated by the general executive board of ACWA. Membership is limited to those who are on the general executive board, or those who are officers or in the employ of the ACWA or its affiliates. There are eight members on the advisory committee who represent the contractors and manufacturers of cotton garments, furnishings, and allied

products who contribute to the trust fund. The advisory committee has the authority to appoint successors and additional members to serve on the committee. However, such action requires the approval of three-fourths of the members. This method of providing appointment of successors and additional members is said to result from the absence of an employer organization with a board of directors such as exists in the clothing industry. Under all except the cotton fund, the advisory-committee members are only protected from liability for advice given or action taken or omitted in good faith. But this fund provides that the members of the advisory committee shall be indemnified by the trust estate against loss incurred by reason of being on the committee, and that such indemnification applies even though the member is adjudged to have been negligent in the performance of his duties.

Laundry fund

The board of trustees for the laundry fund is composed of nine members named in the trust agreement. Provision is made for the naming of additional members and successors by the general executive board of the ACWA with no limitation upon the group from which they may be chosen. As is true with the cotton fund, the advisory committee may, by a three-fourths vote, designate additional members.

The agreement and declaration of trust for the laundry fund is dated January 2, 1946. Union officials contend that this fund was actually established by collective agreement dated November 1, 1945, and that subsection 302 (*g*) of the Labor-Management Relations Act, 1947, exempts the fund from the provisions of 302 (*c*) (5) (B). The agreement of November 1, 1945, provided, among other things, for the negotiation of an agreement of trust for the laundry fund and the payment of contributions to that fund beginning February 15, 1946. It also provides that—

> all the assets of the laundry workers benefit fund shall be transferred or otherwise credited to, and all of the liability of the laundry workers benefit fund shall be assumed by, and the laundry workers benefit fund shall become part of * * *—

the laundry fund. A comparable provision is found in the agreement and declaration of trust dated January 2, 1946, under the terms of which trustees are authorized—

> to accept and receive the assets of the laundry workers benefit fund (established) May 28, 1942, conditioned upon such agreement on the part of the trustees to assume and pay the liabilities of said fund. * * * Upon the transfer of such assets to the trustees, they shall become a part of the trust estate. * * *

Under the above facts, the question arises: Was the laundry fund established by collective agreement prior to January 1, 1946, within the meaning of section 302 (*g*) of the Labor-Management Relations Act, 1947. In determining this, it becomes necessary to decide what constitutes establishment of a trust fund, whether establishment is accomplished by the collective agreement or by the agreement and declaration of trust. Also, the problem is presented as to whether the transfer of a fund in existence prior to January 1, 1946, to a fund created after that date brings the resulting combined fund within the exemption contained in 302 (*g*). That is, is the resulting combination a continuation of the old fund?

Cleaners and dyers fund

Pursuant to an agreement and declaration of trust dated April 1, 1946, the cleaners and dyers fund was established. Under the terms of this agreement, the fund was administered by the board of trustees and an advisory committee, much as the foregoing funds. However, amendments to the agreement were drafted which would bring the fund into compliance with subsection 302 (c) (5) (B) of the act. A copy of the proposed changes was submitted to the committee. Under these changes, the agreement and declaration of trust dated April 1, 1946, would be amended as of March 1, 1948, to provide for trustees composed of five union trustees and five employer trustees. The general executive board of the ACWA would be given the authority to remove union trustees, to appoint successors and additional union trustees. Successor and additional employer trustees would be appointed by three-fourths of the employer trustees from among the representatives of employer associations or from the members, officers, or directors of the firms or corporations which contribute to the fund. The union and the employers would at all times have equal trustee representation. In the event representation of one group exceeds that of the other, such excess votes would not be counted. Deadlocks would be settled in the following manner—

> * * * the dispute shall be decided by Walter Brower, Esq. If he is not available, the two groups shall agree on some impartial umpire to decide the disputes, or, in the event of their failure to agree within a reasonable length of time, an impartial umpire to decide such disputes shall, on petition of either group, be appointed by the District Court of the United States, Southern District of New York.

Amendments, with certain limitations, may be made to the agreement—

> * * * by instrument in writing executed (a) by a majority of the employer trustees, and (b) by the president or general secretary-treasurer of the Amalgamated after the approval of such amendment by the general executive board of the Amalgamated. * * *

A letter of August 27, 1948, advised the committee that all necessary changes had been made to bring the fund into compliance, and it is assumed that the changes made were those contained in the draft referred to above.

AMALGAMATED LIFE INSURANCE CO., INC.

The Amalgamated Life Insurance Co. is a corporation organized under the laws of New York for the sale of group insurance to members of the Amalgamated and its affiliates. All of its capital stock ($1,150,000) is owned by the clothing fund. The board of directors for the company is elected annually by the board of trustees for the clothing fund. There are now 25 members on the board of directors. While employers, as well as the union, are represented on the board of directors, there is no requirement for equal representation. In addition, there is a working subcommittee of the board, known as the executive committee, made up of six members appointed each year by the president of the ACWA. Authority over the administration of the company has been delegated to the manager, Mr. James J. Shoaff, who receives a salary of $12,000 per year. Mr. Shoaff states that there exists a mutual understanding whereby his duties are performed free of interference from either union or employers. Salaries of the manager and his staff of 63 are paid by the insurance company, and the cost of their services prorated to the various funds.

Mr. Shoaff explains that the Amalgamated Life Insurance Co. is under the supervision of the New York State Insurance Department, and that it is examined every 3 years by that department. In order to strengthen its internal control, the company retains a certified public accountant who conducts an annual audit of the company's records. The certified public accountant also makes monthly inspection of all the company's disbursements.

Policies purchased from Equitable:

All of the funds described purchase policies from the Amalgamated Life Insurance Co. However, since the company is not licensed to sell insurance in all States, some policies are purchased from the Equitable Life Assurance Society of the United States. Until February 1, 1948, the Amalgamated Life Insurance Co. could issue policies only to those employed in California, Connecticut, Iowa, Maryland, New Jersey, New York, Ohio, and Pennsylvania. After that date, Amalgamated insured members in Colorado, Indiana, Missouri, Oregon, Vermont, and Virginia. To care for those members employed in other States, policies affording benefits identical to those issued by the Amalgamated Co. are purchased from Equitable. However, it has been necessary to purchase only a relatively small number of policies under this arrangement covering a portion of the workers employed in the cotton and clothing industries. As of September 30, 1947, 9,432 policies were issued by Equitable to the cotton fund and 18,917 to the clothing fund. The remaining policies purchased by these two funds and all policies purchased by the other funds are bought from the Amalgamated Life Insurance Co.

Rerating returns

Equitable policies contain the usual dividend feature whereunder annual dividends based upon the fund's loss experience and Equitable's dividend formulas are paid to the fund. Instead of the dividend feature, Amalgamated policies provide for premium readjustment. At each policy anniversary the premium for the past policy year is adjusted in order that the excess of the initial premium over the total of (a) policy reserves required and claims incurred; (b) allocable expenses incurred under the policy; (c) an equitable share of unallocable expenses; (d) contingency reserves deemed necessary to safeguard the continued successful operation of the company is returned to the fund as a "rerating return." On September 30, 1947, $3,490,073.04, or 28 percent, of the premiums earned by the company, had been paid to or accrued by the funds under this arrangement.

Benefits

Since the inception of the funds, insurance benefits have been liberalized from time to time. The most recent change was on April 1, 1948, with respect to the clothing fund. On that date surgical benefits were included for the first time, and weekly disability benefits, hospital expense, and incidental expenses were also increased. One month later, on May 1, 1948, the cotton, retail, and washable funds followed the lead and granted increased benefits.

Insurance benefits payable as of May 1, 1948, were as follows:

Fund	Effective date of coverage	Death	Weekly disability due to sickness or accident		Hospital expense due to sickness or accident		Maternity	Surgical benefits in accordance with fixed schedule of fees	
			Male	Female	Room and board (daily)	Incidental		Surgical	Obstetrical procedure
Clothing	Feb. 1, 1944	$500	$15	$10	$6	$50	.....	$10–$150	$25–$100
Neckwear	Oct. 1, 1945	750	15	12	7	50	$50	.....	.....
Cotton	Jan. 1, 1946	500	15	10	6	30	.....	10–150	25–100
Laundry	Aug. 1, 1946	500	12	8	5	25	57	.....	.....
Cleaners and dyers	June 1, 1947	500	12	8	5	25	50	.....	.....
Retail	Jan. 1, 1947	500	15	10	6	50	.....	10–150	25–100
Washable	do	500	12	10	5	30	.....	10–150	25–100

Weekly disability benefits outlined above are payable for as many as 13 weeks during any 12 consecutive months. Hospital room and board benefits are payable for a maximum of 31 days in 12 consecutive months. The amount allowed as incidental hospital benefits is the maximum paid for any one continuous confinement. Maternity benefits are paid in lieu of disability or hospital benefits. Surgical benefits in accordance with a prescribed schedule of fees are allowed for one continuous illness.

As of September 30, 1947, the following number of claims had been adjusted by the Amalgamated Life Insurance Co.:

Fund	Death	Weekly disability	Hospital	Maternity
Clothing	2,180	40,700	12,049	3,382
Neckwear	19	379	124	26
Cotton	167	7,400	3,473	2,431
Laundry	84	1,700	677	186
Cleaners and dyers	2	45	23	15
Total	2,452	50,224	16,346	6,040

Figures on the number of claims adjusted by the Amalgamated Life for the retail and washable funds cover the company's first year as insurer for the two funds; that is, the entire calendar year 1947. They are as follows:

Fund	Death	Weekly disability	Hospital	Maternity
Retail	10	44	32	1
Washables	16	293	142	76
Total	26	337	175	77

Payment of death benefits as of September 30, 1947, amounted to $1,202,000. Accident and health benefits, including weekly disability, hospital and maternity benefits, were $3,686,097.88.

Since January 1, 1947, modified annuity contracts have been purchased by the retirement section of the clothing fund and issued to

eligible employees whereby monthly payments equal to the applicant's primary insurance benefit under the Federal Social Security Act are afforded those who are 70 years old, provided they have been employed in the industry and have been members of the union for 20 and 10 consecutive years, respectively, immediately prior to application. Effective January 1, 1948, the age requirement was reduced to 65 years. Hospital and surgical benefits are extended to retired members for a period of 1 year following their retirement.

During the first 9 months that this program was in operation, 670 applications were filed, 436 of which were approved and contracts issued thereon. Monthly payments thereunder average $29.27. Disbursements for this period were $87,766.56.

Through September 30, 1947, the Amalgamated Life Insurance Co. paid out $4,975,864.44 in annuities and benefits.

Eligibility and termination rights

Only members of the union who are not under suspension or expulsion and have not resigned or withdrawn from the union are eligible for insurance. Weekly accident and sickness, hospitalization, and maternity insurance terminate upon resignation, withdrawal, suspension, or expulsion from the union; or at the end of 4 months after being last employed by one who contributes to the fund. Rights of employees to benefits under the above types of insurance cease immediately upon their employment by one who does not contribute. Group life insurance terminates upon the end of 31 days after resignation, withdrawal, suspension, or expulsion from the union, or at the end of 6 months after being last employed by one who makes the required contribution. Upon termination, only the group life insurance may be continued by the individual insured. New York insurance law requires the issuance, in such a case, of individual life coverage without medical examination. The Amalgamated Life Insurance Co. writes no other ordinary business and conversion is limited to the amount held by the individual under a group policy. The company reports that the cost of this ordinary life is only partially covered by premiums paid, inasmuch as an adverse loss experience has been consistently maintained.

Appeal procedure

No formal procedure has been adopted by the union to provide applicants with machinery for appeal in the case of denial of a claim. However, officials of the fund advise that a pattern has been developed along the following lines. The aggrieved member takes the matter up with either the business agent for the union or sometimes with the employer. The matter is then presented to the manager of the member's joint board, who submits the issue to the insurance company. The insurance company then writes directly to the applicant and manager. Mr. Shoaff states that since the company has been in operation, only three cases have come up before the State insurance department, two of which were in New York and one in Pennsylvania.

Administrative costs

The cost of administration of the insurance company is allocated to the various funds and when expressed as a percentage of expenses and

taxes incurred to premiums earned, such cost has been found to be as follows for the first 9 months of the calendar year 1947:

	Percent		Percent
Clothing	5.80	Cleaning and dyeing	14.75
Neckwear	6.80	Washables	6.00
Cotton	6.75	Retail	26.75
Laundry	6.80		

The disproportionately high figure of the retail fund is attributed to certain original expenses incurred in connection with the initial issuance of policies in January 1947 by the company to that fund. For example, the cost of certificates of insurance alone is a sizable item.

FINANCES

Funds

The union reports that through 1947, employers had contributed the following sums to the various funds:

Clothing	$39,178,626.17
Neckwear	340,111.42
Cotton	4,207,452.80
Laundry	1,427,500.14
Cleaners and dyers	296,964.34
Retail	146,618.12
Washables	843,019.45
Total	46,440,292.44

The composite balance sheet of September 30, 1947, furnished by the ACWA to the joint committee places the assets of five of the funds as follows:

Clothing	$26,532,819.80
Neckwear	234,059.39
Cotton	1,873,539.71
Laundry	1,544,458.80
Cleaners and dyers	222,255.91
Total assets	30,407,133.52

Investments in United State Government obligations amounted to $25,765,528.11. A total surplus of $24,927,368.36 was maintained for the purchase of employee benefits, while there was held a contingency reserve of $5,473,539.71.

The following figures on income and disbursements come from the composite statement of income and disbursements and cover the period beginning with the first day of each fund's 1947 fiscal year and ending September 30, 1947; accordingly, the period covered is 3 months in the case of the clothing and neckwear funds, 9 for the cotton fund, 6 for laundry, and 4 for cleaners and dyers. Income was:

Clothing	$3,101,471.80
Neckwear	35,664.56
Cotton	1,511,610.80
Laundry	415,925.67
Cleaners and dyers	63,850.96
Total	5,128,523.79

By far the largest portion of income was derived from employer contributions, interest on investment supplying a relatively small amount. In each of the funds, income exceeded disbursements. Collection of

contributions and administration of the funds during this period cost $40,435.27 for clothing, $718.77 for neckwear, $21,247.85 for cotton, $22,157.01 for laundry, $489.69 for cleaners and dyers, or a total of $85,048.59. The greatest part of the $30,400,908.07 reserve is held in the retirement section of the clothing fund; in 1 year and 9 months reserves amounting to $20,845,456.39 accumulated for the purchase of modified annuity contracts.

In a booklet which the union is preparing for distribution to its officers, the ACWA has this to say about the necessity for large reserves:

> Surplus has been accumulated under unusually good economic conditions. On the basis of current benefits afforded and sound actuarial projections based upon past economic trends, these surplus funds are considered no more than adequate. It is estimated that today there are approximately 7,500 members who could meet the eligibility requirements for retirement benefits. If a change in economic conditions resulted in their retirement, an annual retirement benefit of approximately $3,000,000 would result and a reserve of over $30,000,000 would be required to guarantee the retirement benefit over their life expectancy. Past experience indicates that a pension roll finds its level at about 15 percent of the total active employees. It may then be readily observed that from 15,000 to 20,000 members may, at one time, be receiving the retirement benefit, resulting in an annual payment in excess of $6,500,000 and requiring a reserve in excess of $75,000,000 to guarantee such retirement benefits for the life expectancy of the retired members.

Amalgamated Life Insurance Co.

Since the inception of the Amalgamated Life Insurance Co., Inc., its cash income has amounted to $10,346,712.19 and its cash disbursements $5,780,675.92, leaving an excess of $4,566,036.27. Assets of the company are $6,041,596.89, capital and surplus $2,611,633.27. As of September 30, 1947, $4,975,864.44 were paid in annuities and benefits, the percentage of losses incurred to premiums earned being 45 percent.

VIEWS OF EMPLOYER REPRESENTATIVES

Mr. Raymond Reiss, chairman of the advisory committee to the clothing fund, expresses many of the views of the employers. He considers that the program has contributed to friendly relations between the union and management and he further feels that the plan serves a splendid social need. However, Mr. Reiss does not consider the plan perfect and he points out the following objections often raised by the employer group.

Many employers object to contributions based on gross pay roll. They object because this basis of payment results in contributions based upon wages paid to employees who may be ineligible for benefits because of failure to be in good standing with the union or failure to comply with other conditions of eligibility.

Another objection raised by many employers is that the same rate of contribution is imposed on all employers. Many advocate the adoption of a variable rate based on the individual manufacturer's record as to steady employment and wages paid. The present practice penalizes those firms with good records. For example, one which offers only 30 weeks of work during a year and pays an average annual wage of $1,000 would contribute to the fund only $50 a year for each employee; whereas, an employer who offers steady employment and pays $2,000 annual wages would contribute $100. Yet, employees of the two firms are eligible for the same amount of benefits.

Mr. Reiss feels that the 5 percent rate was agreed upon because it was all the traffic would bear. It was not necessarily the figure arrived at as part of a previously conceived program of insurance benefits. He pointed out that the rate may prove too high for some employers in less prosperous times. Labor cost is a large item in the clothing industry, where from 30 to 40 percent of the sales dollar goes to defray the cost of labor. Mr. Reiss cited the cost of existing fringe benefits paid to employees. Payments in the nature of taxes upon wages amount to 15 or 16 percent of wages paid.

5 percent to the union health, welfare, and retirement fund.
3½ to 4 percent for vacations.
2½ to 3 percent for holidays.
3 percent for unemployment insurance.
1 percent for old age and survivors insurance.

Benefit checks carry the name of the Amalgamated Insurance Co., and to the worker this means the ACWA union; for this and other reasons, workers regard the union as entirely responsible for the benefit program. Employers feel that they, too, should share in the credit.

With regard to the operating cost of the program, Mr. Reiss said that employers perform many services which are not usually reflected in figures on the cost of administration. The administrative costs of the Amalgamated Insurance Co. are given as 6 percent of the premiums earned. However, independent of this are the expenses incurred in the administration of the clothing fund from which insurance is purchased. This is given as 1.5 percent of contributions. In addition to this, employers perform various bookkeeping services in connection with the collection of contributions and they verify the absence of claimants. It should also be pointed out that the local union offices also perform services for which no charge is made.

OUTSTANDING CHARACTERISTICS

The union's national office exercises supervision over the several central funds which are composed entirely of employer contributions. Likewise, administration of the insurance and annuity programs financed from these funds is vested in the union. Policies covering the benefits offered by the programs are purchased from a union-owned insurance company. In other words, centralized administration is practiced, which, it is contended, results in efficient operation. Officials of the union and the insurance company cite the fact that administrative costs of the insurance company are only 6 percent of premiums earned.

Health, Welfare, and Vacation Funds of the International Ladies' Garment Workers' Union

CHARACTERISTICS OF FUNDS

The health, welfare, and vacation funds developed within the ILGWU operate under a policy of decentralization. On September 30, 1947, 338,633 members of the ILGWU were covered by 49 separate funds existing within the United States in the apparel and garment industry. This compares with the coverage of less than 100,000 members in 1944.

Local authority

In each of the funds control is exercised principally at the local level. While the international coordinates the various funds and retains ultimate authority over policy matters and finance, daily operations are directed by the locals or joint boards, the membership of which the funds are designed to cover. Joint boards are representative organizations composed of two or more local unions located in the same city or locality and engaged in various branches of the same trade.

Establishment of funds

All of the funds were established through collective bargaining agreements entered into prior to January 1, 1946, and in at least one case as early as 1937. No formal declarations of trust, such as exist in the ACWA program, are found here, the establishment being accomplished through collective bargaining contracts which locals or joint boards negotiate with employers or associations of employers. However, the constitution and bylaws of the ILGWU requires that all moneys contributed to such funds by an employer be deposited and held in an account separately maintained under the name of such fund, and limits the use of such moneys to the specific purposes for which such funds were created.

Employer financed

The funds so negotiated are financed entirely by employer contributions, which are generally 3 to 4 percent of the pay roll. In the first 9 months of 1947 approximately 10,000 employers paid $15,785,433 into these funds.

Union control over funds

Contributions are collected by the union and deposited in the funds, where they are subject to exclusive control of the union for purposes of investment. In many cases administration has been turned over entirely to the union; in others it is jointly administrated. According to Mr. Adolph Held, director of welfare and health benefits, on many occasions employers voluntarily rejected the invitation to participate on the ground that it would be too much trouble for them.

Investment

The local or joint board charged with administration is required to maintain its health, welfare, and vacation fund separate from the general funds of the union and the moneys may be invested only in United States Government bonds or placed on deposit in savings banks.

Authority of international

While considerable independence is exercised at the local level, the international, by virtue of a provision of its constitution and bylaws, asserts general power of supervision and coordination over all such funds. Failure of a local official to comply with the constitutional provisions governing such funds, or with the rules, regulations, or orders issued by the general executive board, could result in the removal of that official by the general executive board.

Self-insurer

The union acts as self-insurer and makes payments directly from the funds. According to Mr. Held, these union funds are not required to

comply with the insurance laws of the States in which they operate. However, he points out that some jurisdictions, i. e., New York, Massachusetts, and Ohio, require compliance with their insurance laws where the amount of death benefits paid by a union exceeds $500. Only administrative expenses, health, welfare, and vacation benefits, and amounts in support of hospital and sanitariums which render services to beneficiaries under the funds may be paid from the funds.

BENEFITS

The eligibility requirements for benefits and the amounts payable under the different types often vary because of the degree of autonomy exercised by the different locals and joint boards; these differences are largely influenced by the size of the contributions made to the funds, the standards and earnings in the industry, etc.

Sick benefits

Under the union's program of sick benefits, cash payments of from $10 to $15 a week are generally available for as long as 13 weeks in each calendar year to members who are ill and unable to work. During the period January 1 to September 30, 1947, payments under this program totaled $1,770,518.

Hospitalization

A program of hospitalization is provided under which members are entitled to $5 a day for as many as 75 days in any calendar year. The sum of $443,901 was paid in hospital benefits to members of the ILGWU during the first 9 months of 1947.

Surgery benefits

Surgery benefits are offered by some of the locals whereby amounts varying with the nature of the surgery but not exceeding $50 are paid to members of the ILGWU. The total paid out in 1947, as of September 30, was $160,751.

Maternity benefits

Many of the funds provide a $50 benefit in case of maternity. Under this program $73,075 was expended by the various funds during the above specified period.

Tuberculosis

Tuberculosis benefits in the form of a $300 lump-sum payment plus transportation are provided to those members sent to a sanitarium for treatment. In the same period, $13,513 was paid out in such benefits.

Eye conservation

A number of the locals and joint boards finance eye conservation programs from their health and welfare funds. The programs, in some cases, entitled the members to free and unlimited eye treatment and to free eyeglasses. Benefits paid out amounted to $104,211 during the first 9 months of 1947.

Vacations

By far the greatest amount is expended for vacation benefits. Usually in the month of June members are paid vacation benefits which approximate 1 week's pay. While rules governing payment of these

benefits are adopted at the local level, the committee on coordination of health and vacation benefits of the general executive board has promulgated uniform eligibility requirements. These requirements are later set out in detail. During the first 9 months of 1947, $10,103,537 was paid from the vacation funds.

Union health centers

Through the establishment of union health centers ILGWU has pioneered in the type of health program which offers medical services rather than cash benefits. Such centers are in operation in New York City, Philadelphia, Boston and Fall River, Mass., and others are now being established in Wilkes-Barre and in the Easton and Allentown area of Pennsylvania and in St. Louis, Mo.

Medical services available through these union health centers are restricted to diagnosis and care of ambulatory cases. However, within the scope of the program undertaken, a wide variety of services are offered. For instance, the center at New York is equipped for every type of diagnosis, for X-ray, physiotherapy, eye screening, and electrocardiograms, as well as other services. Care available to members eligible for services may vary according to the locality. A member entitled to care at the New York union health center may in most instances be given free treatment only up to the value of $25 a year, whereas no limit is placed upon ambulatory care available at the Philadelphia center.

Mr. Held reports that the following procedure has been adopted in some localities where no health centers exist. Teams of technicians working under the direction of a local doctor have been organized for the purpose of taking the medical history of the union members and giving them certain basic laboratory tests. The results of these tests are submitted to the member's family doctor.

The union health centers, with the exception of St. Louis, are owned and operated by the ILGWU. The St. Louis health center is administered by the union and employers. However, the union health center in Boston is an exception inasmuch as facilities are engaged at the Boston Dispensary. But the Boston locals have recently purchased a building into which the center will be moved. A portion of the health, welfare, and vacation funds is allocated to the operation of these centers, and disbursements for this purpose totaled $474,713 during the first 9 months of 1947.

Procedure for paying sick benefits

A member who seeks benefits under the health program first notifies his local, and the local reports the member's illness to the union health center, or, if none exists in the locality, to a private physician. A representative from the health center or the doctor notified visits the applicant to determine the validity of his claim and thereafter notifies the local accordingly. On the basis of this determination, the local rejects or pays the claim for benefits.

The union requires that a claimant deposit his union membership card along with his application for benefits. The claimant is thereby prevented from obtaining sick benefits while employed.

Appeals

All funds provide procedure by which aggrieved parties may appeal from a denial of benefits. Appeal is first made to the workers' health committee of the claimant's local. Here the case is presented in an informal manner to a group familiar with the claimant and his needs. Successive steps provide for appeal to a claims committee of the joint board, if the fund is one administered by such a board, and then to the director of welfare and health benefits for the ILGWU. Final appeal is to the health and welfare committee of the international's general executive board. Mr. Held estimated that 52 cases were carried through this final step during 1947.

Although not a part of the formal appeals procedure, the union has developed a system of health wardens. These wardens correspond to shop chairmen except that they are interested in the union's health problems. Workers' complaints are submitted through the wardens to the union for possible changes in the health program.

Retirement

The health, welfare, and vacation funds discussed in this report do not encompass the payment of retirement benefits. The joint board of Cloak, Suit, Skirt, and Reefer Makers' Union, ILGWU, has through independent collective-bargaining agreements obtained a retirement fund to which employers contribute 3 percent of their weekly pay roll. This fund is administered by a board of trustees on which is represented the cloak joint board, the employers, and the public.

The New York Joint Board of Dress and Waistmakers Union has also recently obtained a provision in its collective-bargaining agreements for an employer-contributed retirement fund for its members.

Such retirement funds are separate and apart from the health, welfare, and vacation funds analyzed herein.

Control Exercised by General Executive Board

Article 15, section 3, of the constitution and bylaws of the ILGWU vests in the general executive board general powers of supervision and coordination. This same section specifies that—

> all laws, bylaws, regulations, plans, resolutions, or decisions affecting the disbursement of such funds shall only become operative and effective after they have received the approval of the GEB or its health and welfare funds committee.

The health and welfare committee of the general executive board of the ILGWU formulates the policy which governs the union's health, welfare and vacation funds and the programs made possible by these funds. In general, the approach has been to delegate authority for daily operations to the locals and joint boards, but supervision and auditing are in the hands of the general office.

Director of welfare and health benefits

Accordingly, a director who is responsible to the board has been named to coordinate and supervise the 49 funds and make reports and recommendations. In addition, he hears appeals by members who believe that their claims for benefits have been improperly denied.

Coordination of benefit payments

Rules substantially as follows have been promulgated by the general executive board for the coordination of benefit payments. Where the bylaws or rules and regulations of the local or joint board conflict, they are superseded by those of the general executive board.

With regard to vacation benefits, it is provided:

1. No more than 6 months' membership be required as a condition of entitlement.
2. A member of any ILGWU local who works in an industry having a fund—that is, "covered industry"—is entitled to benefits from the local or joint board with which the employer has contracted to make contributions—that is, from the "fund union"—on the following basis:

   (*a*) If he has worked as much as a year in a "covered industry," he is entitled to the same benefits as are the members of the "fund union."

   (*b*) If he has worked in a "covered industry" for less than a year, his entitlement is the same as that of a new member of the "fund union," except as set out in (*c*) below.

   (*c*) If, during the year, he works in different shops which are under the jurisdiction of different "fund unions," he is entitled to receive from each "fund union" one-twelfth of the regular benefit for each month of employment, provided his employment totals 6 months or more.
3. A member working in a covered industry who transfers his membership to a local which has no employer1contributed fund or who goes to work in a shop under the jurisdiction of the latter is entitled to receive one-twelfth of the regular vacation benefit from the "fund union" for each completed month of employment.
4. Members in a "covered industry" who withdraw from their local in accordance with the constitution of the international are entitled to one-twelfth of the regular benefit for each month of employment and membership, but only if withdrawal is due to pregnancy, illness, or removal to another climate because of health.
5. Illness or absence from the city for good cause does not destroy one's entitlement to vacation benefits.

With regard to health benefits, it is provided:

1. A member of any ILGWU local who is employed in a shop in a "covered industry" for 6 months or more is entitled to full health benefits from the "fund union."
2. Entitlement to sick-benefit payments under a local union sick-benefit fund (a type of fund financed by membership assessment) has no effect upon entitlement to health benefits from employer-contributed funds.
3. A member of a "fund union" who leaves work in a "covered industry" for work in a noncovered industry retains eligibility for 1 year from the time he leaves the "covered industry."
4. A member who transfers his membership from one "fund union" to another "fund union" is entitled to full health benefits from the latter if his membership in both aggregates as much as 6 months.

ORGANIZATION OF LOCAL FUNDS (DRESS JOINT BOARD)

Needless to say, there are considerable differences in the manner in which the numerous funds are organized. However, the Health and Vacation Fund of the New York Joint Board of Dress and Waistmakers' Union may be considered illustrative of the organizational structure which has been adopted. This joint board is composed of representatives from locals Nos. 22, 60, 89, and 10, and, as such, controls the largest of the 49 funds.

Membership in the constituent locals totaled 64,440, as of September 30, 1947, and collections amounted to $3,813,659 in the first 9 months of 1947. The New York joint dress board also collects health and vacation funds for 20,000 workers in the shops of out-of-town contractors, who produce for New York jobbers.

Health fund committee

The joint board administers the fund and allocates the amounts to be expended for health benefits and for vacation benefits. A committee known as the health fund committee and composed entirely of union officials has been created by the joint board to supervise administration. The general manager and the secretary-treasurer of the joint board are on the committee, as are representatives from the constituent locals of the joint board and representatives of the workers in out-of-town departments adjacent to New York.

Complete authority over vacation benefits is vested in the joint board, including authority over eligibility requirements and amounts to be paid.

Health council

Within the limits of the amount allotted for health benefits by the joint board, types and amounts of health benefits are determined by a health council. The council is presided over by the impartial chairman of the industry and is composed of 6 representatives of employer associations and 6 from the joint board. The joint board is required to file with the council regulations adopted by it which pertain to the health program and make reports concerning the accomplishments of the program.

FINANCE

The general executive board of the ILGWU has adopted the principle that safe operation requires the accumulation of reserves sufficient to provide 3 years' payments of benefits. Accordingly, 23,000,000 of this $45,000,000 goal had been attained on January 1, 1947. At the present rate of accumulation, the desired reserve will be reached in 4 years. The international's director of welfare and health benefits, who audits the accounts of the various funds and prepares an analysis for the general executive board, estimates that benefit payments in 1947 will total $15,000,000. He summarizes the finances for the period January 1, 1947, to September 30, 1947, as follows:

Total collections Jan. 1 to Sept. 30, 1947	$15,785,433
Total disbursements	14,703,068
Vacation disbursements	10,103,537
All other benefits	3,424,723
Donations	49,107

Reserves	
Administration	[1] $1,125,701
Total net assets	24,693,359
Cash	5,577,691
Savings	223,386
Bonds	17,218,053
Union Health Center (investments)	1,184,994
Unity House (investments)	151,193
Receivables	338,039

[1] Administration more than 1 year.

Cost of administration

Approximately 350 persons are employed throughout the country by the union in the administration of the various programs. According to Mr. Held, general administrative expenses of the funds will amount to about 5 percent of the receipts during 1947.

The constitution and bylaws provides in article 15, section 4, that administrative expenses shall not in a given year exceed 5 percent of the contribution to the fund, except with the approval of the general executive board, health and welfare funds committee.

UNION VIEWS ON THE PROGRAM

Union officials maintain that the welfare program has excited the enthusiasm of the rank-and-file membership and that it therefore has contributed to the building of a stronger union. They feel that this has been accomplished in part by placing responsibility for the program at the level of the local and encouraging the members to participate in its operation. Likewise, the local health committees and health wardens have played a large part in fostering interest. The director expresses the ILGWU's attitude in this manner:

> We have found our experience with self-insurance to be less expensive and more satisfactory. It develops a sense of responsibility and pride of participation in the plan among the members, and is conducive to better employer-employee relations.

UNITED FURNITURE WORKERS OF AMERICA, CIO

The president of the Furniture Workers, CIO, advised the committee that approximately 12,600 members of the union and their dependents are insured under the employer-financed fund obtained by that union. These covered workers are employed by over 700 employers who make contributions equal to 3 percent of their pay rolls.

The fund is operated on a centralized basis. Benefits are underwritten by a commercial insurance company and the Blue Cross; claims, however, are paid directly through the office of the fund. Administration of the fund, which was established about September 1944, is vested in the union. A typical contract provides:

> It is further understood and agreed that the employer shall be under no obligation to see the application of moneys paid to the trustees pursuant to this paragraph for the purpose and uses above mentioned; but the union, nevertheless, agrees to render reports at regular intervals to the employer respecting the application of moneys received and benefits paid, and the union also agrees to furnish the employer with a copy of the trust agreement.

The employer group is not a party to the trust agreement, the parties to the agreement being only the trustees and the union. The

general executive board of the union designates the trustees. Membership on the board of trustees continues only so long as the trustee remains a member of the general executive board. Pertinent provisions of the trust agreement relating to administration are:

1. The trustees may invest in those securities which State laws provide are legal for the investment of trust funds.
2. Administrative expenses are limited to 5 percent of annual contributions.
3. The board of trustees is authorized to pay or provide for the expenditure of funds to maintain existing group insurance of any employees during strikes, lock-outs, or other industrial disputes.
4. The board may increase its membership from time to time as it deems necessary or expedient.
5. The agreement may be amended by the trustees with the consent of the general executive board.
6. Trustees are bonded for $10,000.

Life insurance, accidental death and dismemberment, weekly accident and sickness, surgical, medical expense, and hospital benefits are offered. In the event of termination of employment a worker's group life insurance continues in force for 31 days. He may, during this period, convert to an ordinary policy without the necessity of taking a medical examination. There is a provision to the effect that if an employee's insurance is terminated due to failure of employment while he is disabled, benefits will continue for 3 months to cover an operation due to the disability. Maternity benefits are extended to cover an obstetrical procedure occurring during the 9 months' period following the termination of insurance due to cessation of employment.

Membership in the union and full-time employment by a contributing employer constitute conditions of eligibility.

Progressive Mine Workers of America

A welfare and retirement fund was created by the contract entered into on June 12, 1946, between the Progressive Mine Workers, District 1, and the Coal Producers Association of Illinois. The fund is supported entirely by employer contributions which at first amounted to 5 cents per ton on each ton of coal mined for use or sale. Beginning July 1, 1947, the contributions were increased to 10 cents per ton. Approximately 9,500 employee members are covered. In addition, the dependents of these employee members are eligible for modified hospital and surgical benefits.

The fund is operated by two trustees—one from each group—who are responsible to the joint State executive board composed of eight members—four from each group. In the event of a deadlock between the trustees the board appoints an impartial umpire to settle the dispute. Deadlocks on the board are settled by an impartial umpire named by the United States district court. Each trustee is bonded for $75,000. Subject to the approval of the board, the trustees have authority over coverage, eligibility, priorities among classes of benefits, methods of providing or arranging for benefits, and related matters. The cost of administration is paid from the fund.

The retirement, death, disability, and dismemberment benefits offered are self-insured, while the remaining benefits are insured with a commercial carrier.

Retirement benefits of $30 per month are payable to member employees in good standing who are 65 and who retire after June 1, 1946. Other eligibility requirements include a record of working five out of the last 6 years prior to retirement in mines employing members of the Progressive Mine Workers, provided the workers' employer contributed to the fund at the time of retirement. Upon receipt of a pension, employee members lose their coverage under the group-hospitalization and death-benefit phases of the program. Provision is also made for pensions to totally disabled workers.

Other benefits are:

1. Death from any cause, $1,000.
2. Disability and dismemberment.
3. Nonoccupational-accident insurance and sickness-disability benefits paying $15 per week for as much as 26 weeks.
4. Hospital benefits of $5 a day for 31 days, plus as much as $10 during each confinement to cover the cost of ambulance and $25 for other expenses.
5. Surgical benefits up to $150 in accordance with a schedule of fees.

Federation of Dyers, Finishers, Printers, and Bleachers of America, CIO

By a collective-bargaining agreement entered into in 1943 a health-insurance plan was established in the industry organized by this union. Approximately 20,000 workers are covered by it. The agreement specifies in detail the benefits to be provided, but leaves to the employer matters pertaining to financing and choosing the insurance carrier. According to Mr. Knapik, president, the union does not participate in administration. Claims are forwarded by the employer directly to the carrier company, but grievances growing out of the operation of the plan are taken directly to the employer by the union.

Among the minimum benefits specified in the agreement are:

1. Five hundred dollars life insurance, with the employee having the right, in event he leaves the industry, to convert within 31 days, without a physical examination. Further, the policy must be payable for 31 days after it has been terminated. In the event of total disability there must be provision for the continuation of benefits.
2. Sickness and accident insurance. Hospitalization is not a prerequisite to these benefits which amount to $17 a week for a maximum of 13 weeks for any one period of total disability.
3. Hospitalization benefits:
   (*a*) $6 a day for a maximum of 31 days for any one period of disability due to nonoccupational sickness or accident.
   (*b*) Reimbursement up to $30 for charges other than room and board.
   (*c*) The policy shall provide for the payment of benefits after the termination of the policy for 9 months in the case of maternity, and for 3 months in the case of total and continuous disability sustained while the policy was still in effect.
4. Hospitalization for dependents.

5. Surgical aid for employees only. Up to $150 for surgery arising from any one disability not compensated under workmen's compensation laws.

Workers on leave of absence are covered for 3 months in the case of life, hospitalization, and surgical-aid insurance, and for 2 months for sickness and accident insurance, but if such employees are engaged by a new employer in the industry they are required to serve a 3 weeks' probation. New employees who have not worked in the industry or been members of the union for 30 days are required to serve a 30-day probationary period. Likewise a 30-day probation is required of those who quit their jobs.

Under a provision of the contract the union may, on 5 days' notice' call a strike if the company fails to provide the benefits stipulated in the agreement.

United Textile Workers of America, AFL

In negotiating its group-insurance plans the Textile Workers, AFL, merely obtains in its contracts provisions under which employers undertake to secure and finance insurance and hospital benefits for their employees. The types of benefits to be obtained are provided in the contracts but details such as the designation of an insurance carrier and the methods for paying benefits are left up to the company.

The president of the union considers the plan in the American Woolen Co. as typical of the plans obtained in most of the union contracts. The features of this plan follow:

All benefits are financed by the company. Hospital benefits are provided under an agreement with Blue Cross. Hospitalization is available to dependents of employees but the cost thereof must be met by the employee.

Through an insurance company the following additional benefits are provided: (1) Life insurance, $500. (2) Accident and sickness benefits varying from $15 to $21 a week are payable for 26 weeks; however, benefits payable under the Rhode Island Workers' Compensation Act are deductible. (3) Benefits for accidental loss of sight or for dismemberment—paid in lieu of all benefits except life insurance. (4) Allowance is made for medical expenses on the basis of $2 for each visit to a physician's office or $3 for a home or hospital visit. (5) Surgical expenses are allowed in accordance with a schedule of benefits but may not exceed $150 for one continuous disability.

Participants in the plan which offers benefits other than hospitalization are not required to take a medical examination. Insurance under the plan ceases upon termination of employment with the company, except that life insurance continues in force for 31 days.

Upholsterers' International Union, AFL

Approximately 16,500 are covered by the upholsterers' social-security program which was established by the union's convention of May 1944. The program is financed by employers whose contribution rate is set at 3 percent of the total aggregate wages paid to employee members. One thousand two hundred and fifty employers contribute to the program.

Under the general laws of the union, the social-security department governed by a board of trustees consisting of the members of the union's general executive board is responsible for the administration of the program and control of all funds. As provided in the bylaws and regulations of the department, funds not required for current expenses may be invested in such securities, without being confined to "legal investments," including both real and personal property, as shall be authorized by the board of trustees. The board's duties include the payment of premiums to commercial insurance companies for the purpose of maintaining policies under which benefit payments are provided. Provision is made for bonding the chairman and treasurer of the board.

Benefits authorized under the collective bargaining contract provision concerning the program are: (1) accident, (2) dismemberment, (3) death, (4) sick, (5) medical, (6) surgical, (7) hospital, (8) dependents' hospitalization.

Eligibility for maximum benefits is conditioned upon good standing in the union and employment by a contributing employer. However, those not in good standing participate in benefits to the extent provided in the insurance policy.

In the event the program is dissolved because of the cessation of contributions or a determination by the board that its continuation is impracticable, the board is authorized in the bylaws and regulations to pay outstanding indebtedness and transfer all funds and property to the Upholsterers' International Union to be used for the general welfare of its membership.

United Hatters, Cap, and Millinery Workers International Union, AFL

This union has 32 local funds in the United States, all of which are financed solely by employer contributions. Covered under these funds are 20,000 persons. Employers contributing to 17 of the funds pay 3 percent of their gross pay rolls, while employers contributing to 14 pay 2 percent of their gross pay rolls into the funds. In one case the employers pay a fixed amount.

The president of the union reports that all of the funds are operated at the local level and are locally administered. However, he states that most funds have followed closely a sample set by bylaws prepared by the international. Twenty-one of the funds are self-insured and 11 are underwritten by commercial companies. The fund in the New York millinery industry, and some other funds, are administered by boards of trustees composed of union representatives; however, advisory powers are exercised by employer representatives. As a rule, administration is vested in a board of directors or trustees on which employers and employees have representation. The approved form of administration as contained in the sample bylaws prepared by the international provides for such a board on which there would be joint representation. The chairman and secretary-treasurer are to be elected by the membership of the board. Power to purchase insurance is vested in the board.

The bylaws provide for the establishment of a contingency reserve and for the subsequent deposit in a reserve fund of at least 25 percent of all receipts.

A working group designated as the benefit committee is suggested, its membership to be elected by the employees. All of the members of this committee who are authorized to sign checks must be bonded. It is their duty to collect employer contributions, investigate and pass upon claims for benefits.

Accident, sickness, hospitalization, and surgical benefits are provided in the international's recommended plan. Eligibility is conditioned upon the following: (1) good standing in the union and payment of dues up to 4 weeks prior to cessation of work because of reported illness; (2) employment by a contributing employer for 26 weeks; (3) the employee's employer must have paid contributions for him to the fund; (4) an employee ceases to be eligible for benefits if his employment is terminated, or if no contributions have been paid for him to the fund for 26 weeks; (5) the committee determines the eligibility for benefits of employees who of their own volition absent themselves from work for prolonged periods; (6) the benefit committee may admit to the fund those employees whose employers do not contribute, if the employee pays into the fund.

Members of the union whose claims have been denied may appeal from decisions of the benefit committee to the general executive board which may request reconsideration.

American Federation of Musicians, AFL

An employment fund, financed by recording and transcription companies, was established by the contract of September 20, 1943, entered into by the companies and the AFM. By agreement with the union, the transcription companies paid into the fund 3 percent of their gross revenues derived from the sale, lease, license, or other disposition of electrical transcriptions made by members of the AFM which are repetitively used for broadcast purposes. Recording companies agreed to pay rates based on the manufacturer's suggested retail price of records sold, varying from one-fourth cent for each record, the retail selling price of which is not more than 35 cents to 2½ percent of the sales price of each record which retails for more than $2. Some 700 contracts providing for employer contributions were signed. In all of the contracts the union was vested with full authority to administer the moneys received. However, four provided that the United States Secretary of Labor shall appoint an advisory committee. The AFM was given access to, and the right of examination of, the companies' books and records which relate to payments to the fund.

The international executive board prepared a plan, effective February 1947, for the expenditure of the money in the fund. It provided for the creation of a separate fund to be known as the recording and transcription fund. The plan further empowered the president of AFM to set up and staff a recording and transcription fund department for the purpose of administering the plan. Administration expenses up to 5 percent of the gross amount in the fund are paid from moneys in the fund; expenses over and above this percentage are borne by the national treasury general fund. The union's president, testifying before a congressional committee on January 21, 1948, stated that only one-half of 1 percent of the fund had been spent for administrative purposes.

The plan adopted by the international executive board has confined use of the fund to the employment of musicians. While unemployment is not a condition of eligibility for participation in the benefits of the plan, the expressed objectives are an effort to foster musical culture and the alleviation of unemployment caused by the promiscuous commercial usages of records and transcriptions made by federation members. It has been pointed out that technical advances such as the use of records for radio broadcast purposes and for restaurant entertainment have resulted in the increasing unemployment of musicians.

These objectives are pursued through a plan under which there is allocated to each local an amount to be spent by it in the presentation of free musical programs. Allocation during 1948 was made on a pro rata per capita membership basis. Each local received $9.40 for each one of its first 5,000 members. For each additional member $1.78 was allotted. Allotments are not cumulative, the amount remaining at the end of the year reverting to the fund.

Before a local may expend any of its allotment, it must submit to the national office an operational plan of its project at least 30 days prior to performance. The moneys of the fund may not be used to cover the rental of halls, chairs, or equipment, the cost of advertisements, the printing of programs, or the payment of stage hands or help of any kind.

The names of performers, instruments played, and amount paid must be submitted. At no time may an amount in excess of the local union scale of prices be paid to members who participate in the project performance. It is required that the performance receive full advertisement. The locals decide which musicians shall receive employment. The basis upon which they make their decisions is not clear. However, after the performance the local must submit a performance sheet having each performer affix his own signature. Before its project can win approval, the local must be in good standing with the AFM insofar as fulfilling and carrying out the intent of all laws and standing resolutions that are set out in the AFM's national bylaws, including all directives by the president or the executive board.

In his annual financial report for the fiscal year ending April 30, 1948, the financial secretary-treasurer of the AFM reported on the recording and transcription fund. Some of the items were as follows:

Balance, May 1, 1947	$2,632,334.72
Total receipts for year ended Apr. 30, 1948 (including $1,902,156.28 payment from United States recording and transcription companies)	1,927,019.90
Total	4,559,354.62
Total disbursements (including local project expenditure of $1,440,920.56)	1,498,284.23
Balance on hand, Apr. 30, 1948	3,061,070.39

The sum of $1,737,689.82 was appropriated for allocation to locals, to be disbursed by January 31, 1949.

Information supplied to the committee by AFM shows the extent to which performances are given under the fund. The following statistics include a relatively few performances given in Canada.

Veterans' hospitals	2,328
Other distributions	2,384
Teen-age dances	2,611
Symphony performance (over 60 men)	143
Concert performance (under 60 men)	1,394
Military band concerts	1,764
Parades	140
Total performances	10,764

The musicians fund received no contributions from employers after December 31, 1947, when their contracts expired. Section 302 (c) (5) of the act limits the enjoyment of employer-supported funds to "the employees of such employer." The beneficiaries under this fund are not, and in most instances never have been, employed by the recording companies whose contributions support the fund. Since December 31, 1947, members of the musicians' union have refused to make records. On November 9, 1948, the press reported that an agreement had been reached wherein the recording companies agreed to pay the royalties to an impartial trustee who would carry out the purposes of the fund, which agreement was made subject to a ruling from the Attorney General on its legality under the act.

International Brotherhood of Electrical Workers, AFL

It is estimated that approximately 200,000 persons are covered by the terms of the employees benefit agreement which was entered into on September 3, 1946. This agreement between the IBEW and the National Electrical Contractors Association provides for pay-roll assessments in an amount equal to 1 percent of gross electrical labor pay rolls of electrical contractors subject to the agreement and for the creation of a pension trust fund. Failure of a contractor to make payment when due may result in the national employees benefit board imposing a 10-percent penalty upon him. The fund is self-insured and is administered on a centralized basis.

The working organization authorized in the agreement consists of a national employees benefit board, board of trustees for the pension benefit trust fund, and local employees benefit boards.

The national employees benefit board consists of seven members from the association, seven from the IBEW, and one public member named by the United States Secretary of Labor. If a deadlock exists on any matter before the national board it is submitted to the public member for decision. The national board is empowered to provide among other things for the local collection of the 1 percent assessment, to engage a secretary-treasurer and provide for his bonding, to retain a certified public accountant, to provide for an annual audit, to compile statistics and make actuarial studies looking toward the establishment of disability and hospitalization insurance as well as other social benefits. In addition, it is empowered to pay quarterly to the board of trustees for the fund a lump sum from the collections, provided that such amount shall not exceed the total paid into the brotherhood's pension fund by its own members from May 5, 1947, and provided further that it shall not exceed the amount of the funds then in the hands of the national board, less its necessary operating expenses and the operating expenses of the board of trustees for the following quarter.

The board of trustees is composed of one member from the association and one from the IBEW. Deadlocks are referred to the public member of the national board for decision. Each trustee is bonded for $25,000. The trustees are empowered to deposit the moneys received from the national board in a trust company, to pay pensions to eligible members of the brotherhood, to provide for an annual audit, and to make an annual report to the national board.

Local employees benefit boards, composed of three members of the association, three of the local union, and one public member, are created to collect assessments and remit them to the national board.

Pension benefits of $50 a month are paid to eligible class A male members of the brotherhood. Eligibility requirements include 65 years of age and continuous good standing in the brotherhood for 20 years immediately preceding application for pension.

United Automobile Workers, CIO

While union participation in health, welfare, and retirement plans is not now widespread in the industry organized by the UAW-CIO, that union has joined in the drive to obtain through collective bargaining a program for the benefit of its members. The union's social-security department has set forth the union's social-security objectives in a preliminary blueprint, which also outlines the methods to be used in the administration of the program once it is obtained. This approach, like that of the United Steelworkers of America, involves a period of preliminary study and planning preceding the inauguration of the plan. The union's program as outlined in its memoranda are summarized herein.

The comprehensive social-security program envisioned contains the following principal features. The economic hazards of illness and accident, death and old age, would be met by such benefits as (1) pensions; (2) death benefits in the form of life insurance; (3) income maintenance during illness; (4) hospitalization; (5) medical and surgical benefits.

Finance

In financing such a program, steps are planned to bring under collective bargaining all expenditures now being used for the health insurance protection of members of the UAW. The union estimates that the cost of this current protection amounts to $3,000,000 or $4,000,000 a month, or an average of $5 per month per covered UAW member. It is not clear from available information whether this proposal would shift to the employer the entire cost of group health-insurance protection which is now borne jointly. Regardless of what is intended by this proposal, it is estimated that those benefits other than pensions will cost the employer 5 cents for each hour worked by a UAW member, or $8.65 per month, over and above the amount now spent on group-health insurance. No estimate is available on the cost of the proposed pension program. However, under policy expressed in the guiding memoranda employers will pay for past service while employees will join in the payment of current service. Under this plan for joint financing of current services at least 60 percent will be borne by the employer and the remainder by the employee.

Administration

The goal sought calls for a centralized administration and the creation of an International UAW social-security fund. Administration of this fund would be vested in a board of trustees composed of three members, one of which would be selected by the employee group, one by the employer group, and a third, a representative of the public, to be chosen by the other two members. Nevertheless, decentralization would be obtained by allowing the establishment of tripartite boards having jurisdiction over funds negotiated with individual companies. These boards would, however, perform their administrative duties under or through the board of trustees of the International UAW social-security fund. Under this plan of decentralization the union hopes to attain administrative practices adapted to the needs of the various groups concerned. At the same time those desirable features of unified administrative machinery would not be lost.

The standards prescribed call for the setting up within the international social-security fund of separate accounts for each type of benefit offered under the over-all program. Adopting a realistic approach the union provides an interim plan covering administration pending the time that an international fund is secured. Such an interim plan would continue the practice of using commercial insurance companies and nonprofit plans. However, under this arrangement the collective-bargaining agreement would specify that the union should choose the insurance carrier, and the insurance contract should provide that claims be paid through union representatives appointed and paid by the carrier. Where it is necessary to utilize the interim plan, the bargaining agreement would permit the opening of discussions of social-security matters at the end of a 6-month period, thereby allowing time for careful and detailed discussion of the subject before other parts of the contract are open for discussion.

Details of the administration of the pension phase of the program require the establishment of a separate account within the International UAW social-security fund to be known as the International UAW pension fund. Where necessary, a tripartite board may be set up for a single company with which the UAW has entered into a contract. Such board would, however, operate through the board of the international social-security fund. All administrative costs of the pension plan would be paid from employers' contributions. Basing its estimates on the experience of the federal old-age and survivors insurance program, the union estimates that the initial cost will be 10 percent of the money annually paid into the fund. It is expected that the cost will later drop to 5 percent.

An account card will be maintained for each worker included in the pension plan. On this individual card there will be posted the worker's contributions, plus employer payments allocated to the worker's equity in the fund. Limitations are placed upon the investment of moneys paid into the fund. Investments may be made only in interest-bearing bonds of the United States Government. Bonds will be purchased in the worker's name, in accordance with the amount credited to him on his account card.

Benefits and workers' equity in the plans—Pensions

A member of the UAW would receive a monthly pension equal to one-half the amount of his earnings at the time of his retirement.

While workers may not be compelled to retire, 65 and 60 are established as the ages at which full retirement benefits accrue respectively to men and women. Substantially younger retirement ages may be prescribed for those engaged in unusually hazardous and arduous jobs. Should a worker wish to retire prior to attaining the established age, he may do so and receive a proportionately reduced benefit.

A worker obtains an equity in the pension plan which affords him certain rights in the event he changes jobs, there is a termination of employment, or in the event of his death. Included in his equity is a right to receive his own contribution to the plan plus the employer's contribution, plus compounded interest on the whole amount credited to his account. In the event his employment terminates prior to his reaching retirement age, the worker has a right to withdraw his equity. The union, however, recognizes that with certain exceptions it may be advisable to require a worker to serve a given waiting period before allowing the withdrawal of his equity. Prior to the establishment of the international social-security fund, transfers within a company would be possible without a loss of equity. Once an international fund is established, transfers would be possible between the companies contributing to the fund. Upon the death of a worker, his beneficiaries would be entitled to the full amount of the worker's equity.

Death benefits

Group insurance in an amount equal to the average annual earnings of the group covered will be taken out on the life of each worker. If his employment ceases, he may on a reasonable basis continue the insurance.

Income maintenance

A member who is unable to work because of sickness or accident resulting from nonoccupational causes would receive each week for as long as 52 weeks payments amounting to one-half the average weekly wages of the group covered. Where loss of time results from hospitalization or accident, benefits begin with the first day of such loss of time. Where sickness is the cause, payment commences with the end of the first week, provided the worker is under the care of a physician.

Hospitalization

These benefits are designed to cover all expenses incurred by a worker because of the hospitalization of himself or his family from nonoccupational causes. They are paid for each period of hospitalization not exceeding 72 days for each hospital admission.

Medical and surgical

Optimum standards of medical care require that a worker and his family receive comprehensive medical service of the highest quality on a prepayment basis. Minimum standards entail a program for the payment of the full cost of services rendered workers or their families during periods of hospitalization and convalescence and full payment for all other surgical and medical care.

An alternative plan may be required during the period preceding the establishment of the above standards. In that case, the amount allowed for specific medical and surgical procedures should never fall below the amount contained in the schedule of fees used by the Veterans' Administration.

UAW policy on existing public programs

The memoranda which reveal the union's comprehensive program state that although gains in the field of social security can be accomplished under collective bargaining, UAW policy maintains the basic attack on the problem through improvement of existing Government and voluntary agency programs, and the establishment of extended public programs.

Negotiations with Ford Motor Co.

An initial task in the accomplishment of the above objectives will be to embrace within the bargaining agreements those group insurance plans already in existence. From such a beginning, the union probably will press for the incorporation of its detailed objectives.

This year for the first time Ford Motor Co. negotiated with the UAW concerning group insurance plans. An official of the company says that while stating in the course of negotiations that they did not feel that they were required to bargain on group insurance, representatives of Ford did submit to the UAW negotiating committee an offer of an improved group-insurance program with the statement that it could be accepted or rejected but that it was not subject to negotiation on matters of cost. Ultimately, the company's basic offer was agreed upon, together with a union proposal concerning a shift of emphasis between types of benefits, such shift not to involve an increased cost to the company.

Paragraphs 6 and 7 of the agreement signed July 29, 1948, contain the pertinent provisions:

> 6. (a) The company will make available to the employees the group-insurance plan outlined in the material submitted by the company with it memorandum dated June 29, 1948, directed to the UAW subcommittee on group insurance. Before putting this plan in effect, however, the company will meet with and receive from the UAW subcommittee on group insurance any proposals the latter may have with respect to the shifting of benefits as between the weekly accident and sickness benefit and the medical benefit. Unless the company determines that such proposals will increase its cost of the plan, it will modify the plan accordingly. Unless changes in the plan proposed by the company have been agreed upon on or before August 7, 1948, such plan will be deemed accepted by the union and will be placed in effect as soon thereafter as is practicable.
>
> (b) The company will meet, at mutually agreeable times, with a group-insurance advisory committee of not more than five members appointed by the union to hear any suggestions the union may have concerning the administration of the benefits under the group-insurance plan. The company will give careful and serious consideration to any administrative suggestions presented to it by such committee, and when it finds that such suggestions are meritorious and practicable, will bring them to the attention of the insurance carrier with the recommendation that they be placed in effect.
>
> 7. The company will appoint a committee to study thoroughly the matter of life, accident, medical, hospitalization, and sickness insurance. Such committee will meet, at mutually agreeable times, with a social-security committee of not more than five members appointed by the union, and receive from it any studies, plans, or analyses the union may present. The company committee will give the matters submitted to it by the union committee full consideration and study.

The group insurance program referred to in the above quotation covers an estimated 116,000 hourly employees. It provides benefits under a group insurance policy to be purchased from an insurance carrier, plus hospitalization and surgical protection through Blue Cross plans. The former benefits are jointly financed under an arrangement whereby employees pay, in accordance with their hourly wage rate, a specified portion of the insurance premium and the Ford Motor Co. pays the remaining premium cost. The cost of the hospital and surgical program is borne entirely by the employees. In both cases, the company, upon authorization from the employees, makes the appropriate pay-roll deduction and forwards the amount to the insurance carrier or Blue Cross plan, as the case may be.

Participation in Blue Cross is open to employees and their families. Inasmuch as these plans are local in character, the hospital and surgical benefits available thereunder and the cost thereof are not necessarily uniform.

The Ford insurance program provides life insurance, accidental death and dismemberment benefits, and weekly accident and sickness benefits. The size of the benefits and the cost to the worker differ in accordance with the individual's wage rate. Monthly costs to employees may be as low as $2.07 or as high as $3.44. Insurance on the life of workers may vary from $2,400 to $4,000. Accidental death and dismemberment benefits range from $1,200 to $2,000, while accident and sickness benefits run from $21.60 a week to $36.

An official of the company points out that the group insurance programs continue to be administered unilaterally by the Ford Motor Co. The insurance carrier will be selected by the company and the company will pay group policy premiums directly to the carrier. This official, likewise, calls attention to the fact that the company has agreed to hear and consider suggestions by the UAW concerning administration of benefits under the plan.

Paragraph 7 of the agreement is significant in that it provides that union and company committees shall study the matter of life, accident, medical, hospitalization, and sickness insurance. Such a provision would seem to obviate the possibility of the establishment of a joint plan which is not preceded by adequate study and analysis of the subject.

Kaiser-Frazer Corp.

Only limited information is available on the social-security fund which, under the terms of the agreement entered into on June 10, 1948, by the Kaiser-Frazer Corp. and local No. 142, UAW, was established on June 1, 1948. As yet, the committee does not have the detailed terms concerning the establishment and administration of the fund. Under the agreement such terms are to be worked out between company and union upon ratification of the agreement.

Beginning as of June 1, 1948, the corporation agreed to pay into the social-security fund 5 cents per hour for each hour worked by employees covered by the agreement. Administration of the fund is vested in a joint board on which the union and the company will have equal representation. Hospitalization, sick and accident benefits, and life-insurance benefits will be paid from the fund in accordance with plans prepared by the joint board which is empowered to seek the advice and help of the social-security department of UAW.

United Steelworkers of America, CIO

On June 4, 1948, Mr. Arthur J. Goldberg, general counsel for the CIO and the United Steelworkers of America, testified before the committee concerning efforts of the union and the United States Steel Corp. to bring social insurance within the framework of collective

bargaining. A six-man fact-finding joint committee was named composed of two from the staff of each party to the agreement and a technical consultant named by each party. This committee undertook a study looking toward the establishment of a plan involving life, accident, health, medical, and hospital insurance. It found in existence a corporation employees' group life insurance plan under which 81 percent of the employees of the corporation and subsidiary companies were insured for $575,944,000. Under this plan, premiums are paid partly by the participating employees, while the corporation pays the balance of the net cost. Expenses of administration of the plan are also paid by the employing companies. Seven-eighths of the total net cost of the corporation's employee group life insurance plan has been paid by the employees. The cost to the corporation of premium payments has been about one-tenth of 1 percent of the pay roll.

In addition, the committee found employee associations which offer to their membership protection in the form of life insurance, sickness and accident, hospitalization, surgical, medical, accidental, and dismemberment insurance. Members of the association bear the entire cost except that the companies deduct premium payments from the pay roll without cost to the membership.

From the experience gained under the existing plans, the committee prepared cost estimates on each type of benefit. With these facts available to them, Mr. Goldberg pointed out that the union and United States Steel had the basis for negotiating an actuarially sound program which also meets the requirements of the Treasury Department. He was hopeful that a proposal of the union based upon the report of the joint fact-finding committee and a counterproposal of the corporation would result in the establishment of a new plan within the scope of collective bargaining. However, the contract negotiated this year contains no such plan, but it does provide for the continuation of joint discussions.

The efforts of both parties have been characterized by thorough study and planning, a highly desirable approach to a complex problem such as this.

APPENDIX

DEPARTMENT OF JUSTICE,
OFFICE OF THE ATTORNEY GENERAL,
December 13, 1948.

The honorable the SECRETARY OF LABOR.

MY DEAR MR. SECRETARY: I refer to your letter of December 10, 1948, with reference to the proposed trust agreement and labor agreement which have been under negotiation in the phonograph-recording industry, and enclosing a memorandum of the Solicitor of your Department concerning their legality under the Labor-Management Relations Act, 1947.

The memorandum examines in some detail the terms of these agreements, and gives particular consideration to the prohibition in section 302 of the Labor-Management Relations Act, 1947, against payments to a "representative" of employees. Your Solicitor concludes:

"If the trustee should in fact become a representative of employees by his own actions, it would, of course, be a breach of the trust agreement. In this connection I am informed that the recording companies have already indicated their choice of a trustee, who from the information available appears to be an individual unaffiliated with the federation capable of discharging his duties impartially and effectively.

"Under all the circumstances it is my opinion that the trust agreement does not conflict with the Labor-Management Relations Act, 1947."

I think we are entitled to assume that these agreements will be carried out in good faith, according to their terms. On that assumption, and on the basis of the careful consideration which has been given to the matter in this Department as well as in the Department of Labor, I am prepared to express my agreement with the conclusions reached by your Solicitor.

With kind personal regards,

Sincerely yours,

TOM C. CLARK, *Attorney General.*

DECEMBER 10, 1948.

The honorable the ATTORNEY GENERAL.

MY DEAR MR. ATTORNEY GENERAL: This is in reference to our recent conversations and the discussions of members of our Departments, concerning the proposed trust agreement and labor agreement which have been under negotiation in the phonograph-recording industry. I understand that the parties have placed the situation before you, just as they have with me, in an effort to receive guidance as to the legality of the trust agreement under section 302 of the Labor-Management Relations Act, 1947.

I realize that it is hardly possible for you, as Attorney General, to give a definite or final answer at this time with regard to the many questions arising under section 302. However, I think it is in the interest of good labor relations for me to write to you at this time to submit to you the views of the Solicitor of Labor so that I may have your advice as to conclusions he has reached.

The trust agreement referred to, a copy of which is attached, provides for the payment by the employers in question to a trustee of certain percentages of the sales price of phonograph records produced by employees who are union members during the periods between September 20, 1943, and December 31, 1947, and between October 1, 1948, and December 31, 1953. The trustee is to expend the funds so collected on musical performances where no admission fee is to be charged and without any profit to the trust fund, in connection with patriotic, charitable, educational, and similar programs. The purpose of the fund is to provide employment for unemployed instrumental musicians, whether or not

members of the union, and thereby promote appreciation of instrumental music by the general public.

You will note that the trust agreement provides that the trustee is to be designated by the recording companies, and successor trustees are to be selected by the Secretary of Labor. In the event, however, that applicable laws in the future should not prevent such action, the president of the union may then designate the successor trustee. The union is given certain limited rights and privileges with respect to the administration of the trust agreement, sometimes alone and sometimes in connection with other organizations as provided by paragraph 3, subsection (c), clauses (iv) and (v) of the agreement. Of principal importance is clause (v), which requires union certification as to services received or contracted for, prior to any disbursement by the trustee.

In the light of the agreement and the accompanying explanatory documents, the question which appears to require consideration is whether the trustee to be created by the agreement is a representative of employees within the meaning of subsections (a) and (b) of section 302, Labor Management Relations Act, 1917. The Solicitor of Labor, in a memorandum which I attach, has concluded that this question should be answered in the negative.

I would appreciate such views as you may wish to express in this matter.

Respectfully,

MAURICE J. TOBIN,
Secretary of Labor.

Attachment.

MEMORANDUM

DECEMBER 10, 1948.

To: The Secretary.
From: William S. Tyson, Solicitor.
Subject: Trust agreement and labor agreement between certain phonograph recording companies and a trustee.

You have requested my opinion as to the legality, under the Labor Management Relations Act, 1947, of a proposed trust agreement to be entered into between certain phonograph recording companies and a trustee as part consideration for the execution of a labor agreement between these companies and the American Federation of Musicians.

The agreement provides for the payment by the recording companies to the trustee of certain percentages of the sales price of phonograph records produced by members of the American Federation of Musicians between September 20, 1943, and December 31, 1947, and between October 1, 1948, and December 31, 1953 (par. 2). The trustee is to expend the sums so collected in arranging and organizing the presentation of personal performances by instrumental musicians in areas throughout the United States and Canada in which various local unions of the federation have jurisdiction. Such performances are to be rendered on such occasions and at such times and places in connection with patriotic, charitable, educational, and similar programs, without any profit to the trust fund, as in the judgment of the trustee will contribute to the public knowledge and appreciation of music (par. 3). According to a memorandum accompanying the trust agreement, its underlying purpose is to provide employment for unemployed musicians, whether or not members of the federation.

The trustee is to be designated by the recording companies collectively, and successor trustees are to be appointed by the Secretary of Labor of the United States. Furthermore, it is specifically provided that the trustee shall not be a representative of labor, or of any union or of employees, within the meaning of section 302 (b) of the Labor-Management Relations Act, 1947. It is further stated to be the purpose and intent of the parties that the trustee shall not act as a representative of either the federation or any of its members, and neither the federation nor any employees of the recording companies are given any rights with respect to the selection of the trustee. If, however, the Labor-Management Relations Act, 1947, should be repealed, or amended, or otherwise changed so as to permit such action, then, and only then, may the president of the federation designate the successor trustee (par. 6 (c)). Other provisions of the agreement will be discussed below so far as they are relevant.

Subsection 302 (a) of the Labor-Management Relations Act, 1947, prohibits any employer, under threat of criminal penalties, to make any payment of money to any "representative of his employees." Subsection 302 (b) makes it a like offense for a "representative of any employees" to receive any money from the employer. The basic question raised by the trust agreement is whether the trustee is a

"representative" of the employee of the recording companies within the meaning of subsections 302 (a) and 302 (b) of the act. Because of the conclusion reached herein it is not necessary to consider whether the trust agreement provides for administration of the trust fund in a manner in conformity with the procedures laid down for permissible payments to employee representatives under section 302 (c) (5) of the act.

In using the term "representative" in section 302, it is, of course, clear that Congress had unions or union agents foremost in mind (Congressional Record, May 7, 1947, p. 4805, May 8, 1947, p. 4876). Aside from the limited meaning of the term indicated by the legislative history, it would not in any event seem that, under the trust agreement, there can be any question that the trustee is not a representative of employees. The trustee is designated in the first instance by employers, not by employees or representatives of employees. The trust agreement, in specifically stating that the trustee shall not represent labor or unions or employees, would seem not only to preclude the appointment of a representative of employees or a union agent as trustee, but also to require the trustee to refrain at all times from representing employees in carrying out the trust agreement. Since the union is given sole power to appoint the trustee only after the Labor-Management Relations Act, 1947, is repealed or so revised as to permit such appointment, no question could be raised concerning this provision, at least so long as section 302 remains in its present form.

The federation does, of course, have a very definite interest in and relation to the trust agreement and the operations of the trustees. It is well to note, for example, that the trustee must consult the federation, among other groups and organizations, which are entitled to advise him. Also before making any disbursements the trustee must receive the certification by the federation that services have been received or contracted for, subject to the very real limitation that such certification shall not be withheld unreasonably, and the trustee must furnish the federation, as well as the recording companies, with a semiannual statement and report. Moreover, a proposed labor agreement, to be entered into between the same recording companies and the federation, provides that the trust agreement is one of the considerations for the labor agreement and that it is the intent of the parties that either both agreements, or no agreement, shall be executed.

The above indications of the relationship of the federation to the trust agreement do not, however, affect the independence of the trustee, who is directed to perform his functions "on the sole basis of the public interest" and can accept only such advice as is consistent with his duty not to represent employees. With respect to union certification prior to disbursement, it is believed that this device is merely to prevent erroneous payments. Actually it inures mainly to the benefit of the trustee and his power to override any unreasonable conduct of the federation clearly removes the latter from any position of control over his activities. Similarly, the fact that the federation must be kept informed of the trustee's operations through a semiannual statement and report does not give the federation a right of control over such operations.

As to the provisions of the proposed labor agreement, it would seem quite appropriate for them to be conditioned upon the signing of the trust agreement, in view of the very real interest of the federation in the latter. This interest in achieving the salutary purpose of providing dignified employment for artists who might otherwise be unemployed does not indicate that the federation controls the trustee or that the trustee represents employees where the trust agreement specifically provides against such control or representation.

If the trusteee should in fact become a representative of employees by his own action, it would, of course, be a breach of the trust agreement. In this connection I am informed that the recording companies have already indicated their choice of a trustee, who from the information available appears to be an individual unaffiliated with the federation capable of discharging his duties impartially and effectively.

Under all the circumstances it is my opinion that the trust agreement does not conflict with the Labor-Management Relations Act, 1947.

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